

國立交通大學

企業管理碩士學位學程

碩士論文

團購商業模式分析-以 ihergo.com 為例

**Group Buying Business Model Analysis:
A Case Study of ihergo.com**

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中華民國一百年六月

National Chiao Tung University

Global MBA

Thesis

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The logo of National Chiao Tung University is a circular seal. It features a gear-like outer border. Inside the seal, there are stylized representations of a building and a book. The letters 'ES' are prominently displayed in the center, and the year '1896' is written at the bottom of the inner circle.

Student: Yu-Chao Chang

Advisor: Prof. Anthony F. Han

June, 2011

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全球企業管理碩士學位學程
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Abstract

In the recent years, group buying has gradually become a trend in e-commerce field. The original idea of group buying is to gain discount prices from retailers when a large number of buyers could be formed, and now the same concept is widely adopted in many websites worldwide. E-commerce market in Taiwan was also influenced by the global phenomenon of group buying, having numerous new websites launched with the concept. Among them, ihergo.com (愛合購) stood out and became the symbol of group buying in Taiwan e-commerce market, offering three different services to the customers: group buying platform, group buying agent, and B2C online shopping mall.

Hence, a case study of ihergo.com was stimulated in order to figure out its unique business model and key success factors. By using the business model canvas introduced by Osterwalder, Pigneur, and Clark (2010) and business model framework proposed by Rayport and Jaworski (2001), an internal value complementary framework which makes mutual reinforcement and multiplier effects on the value cluster and the resource system of ihergo.com was identified. In addition, a practical two-sided platform different from traditional thought which has inter-subsidy sides without charging one side a premium, and the capability to inter-transform supplier relationship and customer relationship on the same business platform was also discovered, suggesting a unique and valuable business model for reference.

Key Words: Group buying, e-commerce, business model, two-sided platform, online community, online shopping mall, network effect.

摘要

近年來，團購在電子商務領域逐漸形成一股趨勢。所謂團購，是指一群買家透過聯合的方式組成團體，以便從販售業者方獲得價格折扣等好處。現在，這個概念已經被應用在全球許多網站上。台灣的電子商務市場也受到了此波全球風潮的影響，許多以團購作為主題的新興網站平台如雨後春筍般成立。在此些網站當中，一舉提供團購平台、團購仲介，以及 B2C 線上商城三個不同服務的 ihergo.com（愛合購）脫穎而出，成為台灣電子商務市場線上團購的象徵。

因為上述的原因，促使了 ihergo.com 的個案研究來釐清其獨特的商業模式和關鍵成功因素。透過使用 Osterwalder、Pigneur，和 Clark (2010) 所提出的商業模式分析畫布，以及 Rayport 和 Jaworski (2001) 所提出的商業模式架構，分析歸納出一個對價值群聚和資源系統具有相互增強和加乘效應的內部價值互補架構。同時，亦從中發現了一個有別於一般認知、具有雙邊交互補貼且沒有特定單邊溢價的雙邊平台，以及將供應商關係與顧客關係交互轉換的能力，說明了 ihergo.com 商業模式的獨特性和參考價值。

關鍵字：團購、電子商務、商業模式、雙邊平台、線上社群、線上商城、網路效應。

Acknowledgement

The most instructive part of doing thesis is not the result but the whole journey. From looking for a direction to positioning my own thoughts, I made many mistakes, got into dead end many times, but eventually walked through the jungle and reached a small peaceful land. It was a valuable and wonderful journey and would not have been possible unless the help from many people.

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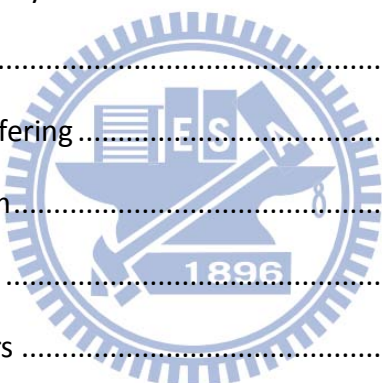
Yu-Chao Chang

July 7th, 2011

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Chapter 1 Introduction

1.1 Motivation

Since the booming development of Internet in 1990s, the e-commerce gradually transformed almost every business sector and altered the relationship between consumers and firms. Unlike the other industries which suffered from the recession in 2009, e-commerce sector has emerged diverse applications and kept showing its vigorous energy, having an incredible 14.6% global market growth rate. And the market scale worldwide is estimated at 951 billion USD in 2010 (Ministry of Economic Affairs, 2010).

In the recent decade, group buying has gradually become a trend in e-commerce field. The original idea of group buying is to gain discount prices from retailers when a large number of buyers could be formed, and now the same concept is widely adopted by many websites worldwide (Cashmore, 2010).¹ However, unlike the common e-commerce businesses, the group buying e-commerce hasn't got much attention yet in business research because of its new risen background, being the initial motivation of this paper.

Meanwhile, e-commerce market in Taiwan was also influenced by the global phenomenon of group buying, having numerous new websites launched with the concept in recent years (Hsiao, 2010a, 2010b, 2011). However, not everyone has created amount of users and reached the break-even point in finance (Hsieh, 2009). Among group buying websites in Taiwan, ihergo.com stood out quickly and became the symbol of group buying in local e-commerce market (Lin, 2010; Yue, 2009). Since it was founded, the company has gone through several transforming processes to overcome the difficulties and strengthen its revenue. It even started to offer group buying agent service and online shopping mall on the same web platform, creating a unique and profitable business model. Hence, a case

study of ihergo.com was stimulated in order to figure out the frame of its business model and key success factors.

1.2 Purpose

The major purpose of this research is to provide a useful reference for strategic alternatives of group buying e-commerce by analyzing the business model of ihergo.com. Under that premise, further information is expected to be delivered in this paper:

1. The key success factors of ihergo.com
2. The practical group buying business model for Taiwan e-commerce market.
3. The evolving of a practical group buying business model.
4. The management strategies in relation to transforming the business model to generate sustainable revenue and profit.



1.3 Framework and Methodology

The Figure 1-1 shows the framework of this paper. Firstly, a literature review which covers competitive strategy, e-commerce, and business model will be proceeded in order to figure out related aspects of case study. Secondly, a case background analysis will take place to understand the development of online group buying e-commerce in both global and local aspects, to survey the early development and generalize the initial business model of ihergo.com. Thirdly, a detailed and comprehensive analysis will be processed to inquiry the business model transforming, indicate the changes and the impacts behind the business model, and lastly clarify the key success factors. Finally, the analysis result and findings will be summarized in the conclusions.

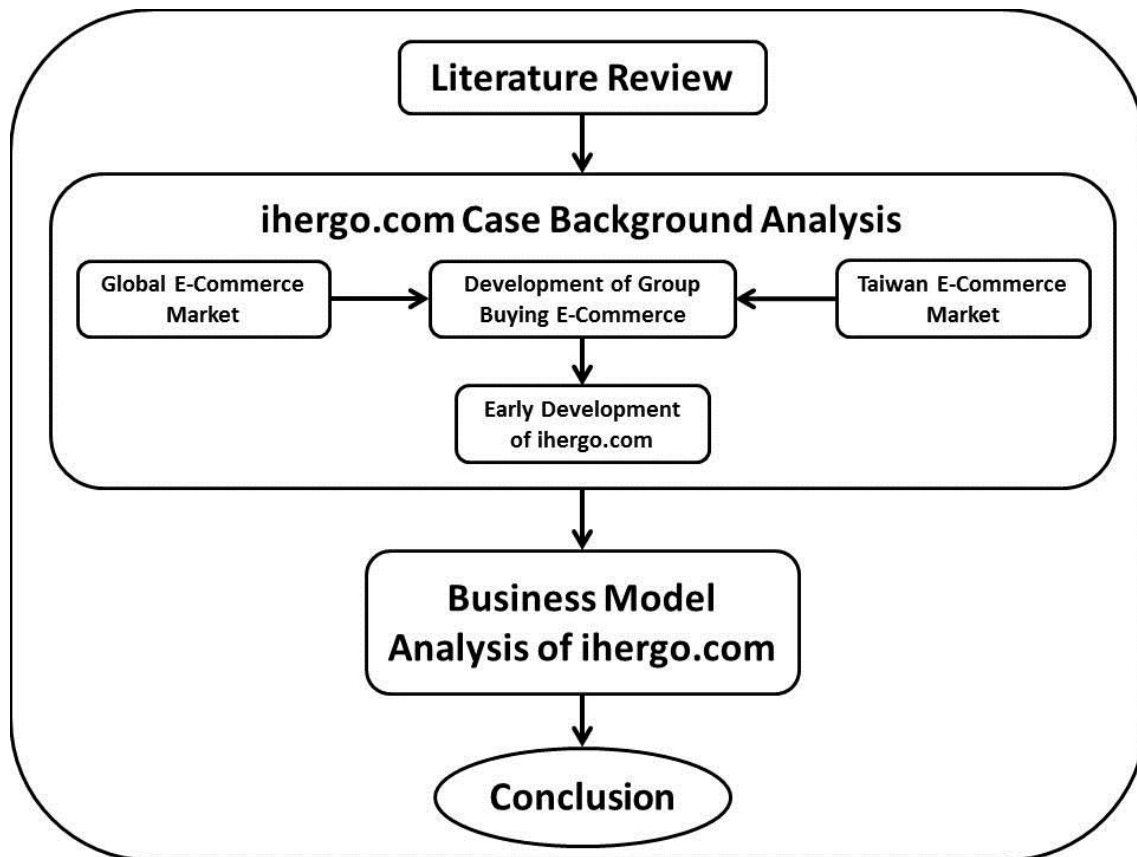


Figure 1-1: Research Framework

The Figure 1-2 illustrates the methodology of this paper. The data sources of this research include primary data and secondary data. The primary data will be collected through the personal interview with the founder and the users of ihergo.com. The secondary data will be collected from market analysis reports, industry analysis reports, whitepapers, web analysis data and yearbooks published by government or official organizations. Two stages of analysis will be processed after data collection. The first analysis concentrates at the business model evolution by using the business model canvas (Osterwalder & Pigneur, 2009) to construct the skeleton. The second analysis accordingly focuses on the current business model will be conducted with the framework proposed by Rayport & Jaworski (2001).

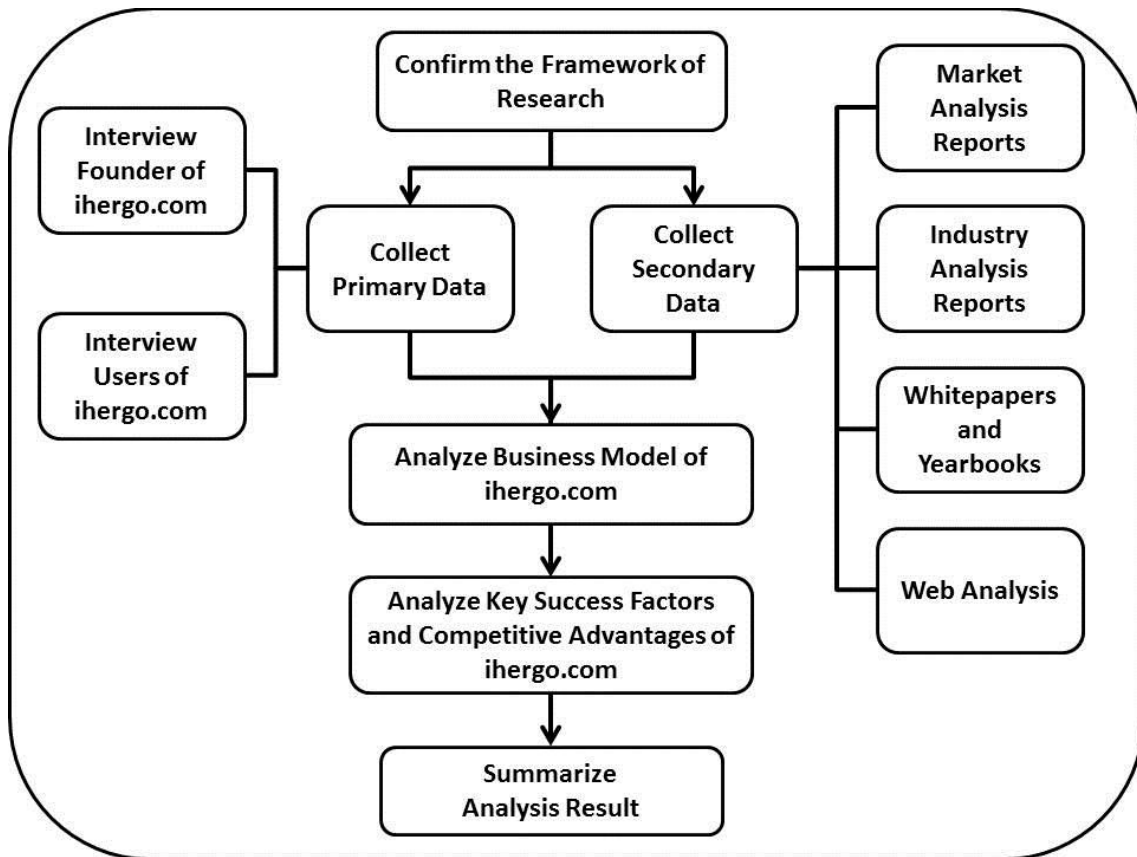


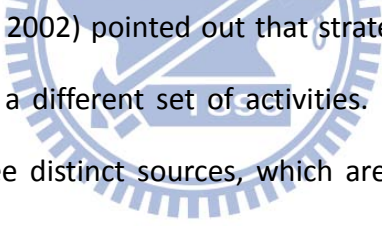
Figure 1-2: Methodology



Chapter 2 Literature Review

According to the purpose of this paper, it is necessary to do the review on three topics: competitive strategy, e-commerce, and business model. Starting from understanding the core concept of competitive strategy, the review goes through the definition and the function of strategic positioning, five forces framework, three generic strategies, and value chain. Then a review on e-commerce will cover the definition, the growth and development, and online group buying. Finally, the review on business model will focus on the definition, the two-sided platform, and the analysis tool: business model canvas.

2.1 Competitive Strategy



Michael Porter (Porter, 2002) pointed out that strategy is the creation of a unique and valuable position, involving a different set of activities. He also mentioned that strategic positions emerge from three distinct sources, which are not mutually exclusive and often overlap. The three distinct sources are:

1. Variety-based positioning

Positioning is based on producing a subset of an industry's products or services. It is determined by the choice of product or service varieties rather than customer segment, and makes economic sense when a company can best produce particular products or services using distinctive sets of activities.

2. Needs-based positioning

Positioning is based on serving most or all the needs of a particular group of

customers. It comes closer to traditional thinking about targeting a segment of customers, offering a tailored set of activities which can serve those needs best.

3. Access-based positioning

Positioning is based on segmenting customers who are accessible in different ways. It is determined by the best configuration of activities to reach customer needs in certain geography, scale, or other matters.

The competitive strategy is formed in order to establish a profitable and sustainable position against five major forces that determine industry competition. The five forces include “Threat of new entrants”, “Threat of substitute products and services”, “Bargaining power of buyers”, “bargaining power of suppliers”, and “Rivalry among existing firms” (Porter, 1980), shown in Figure 2-1.

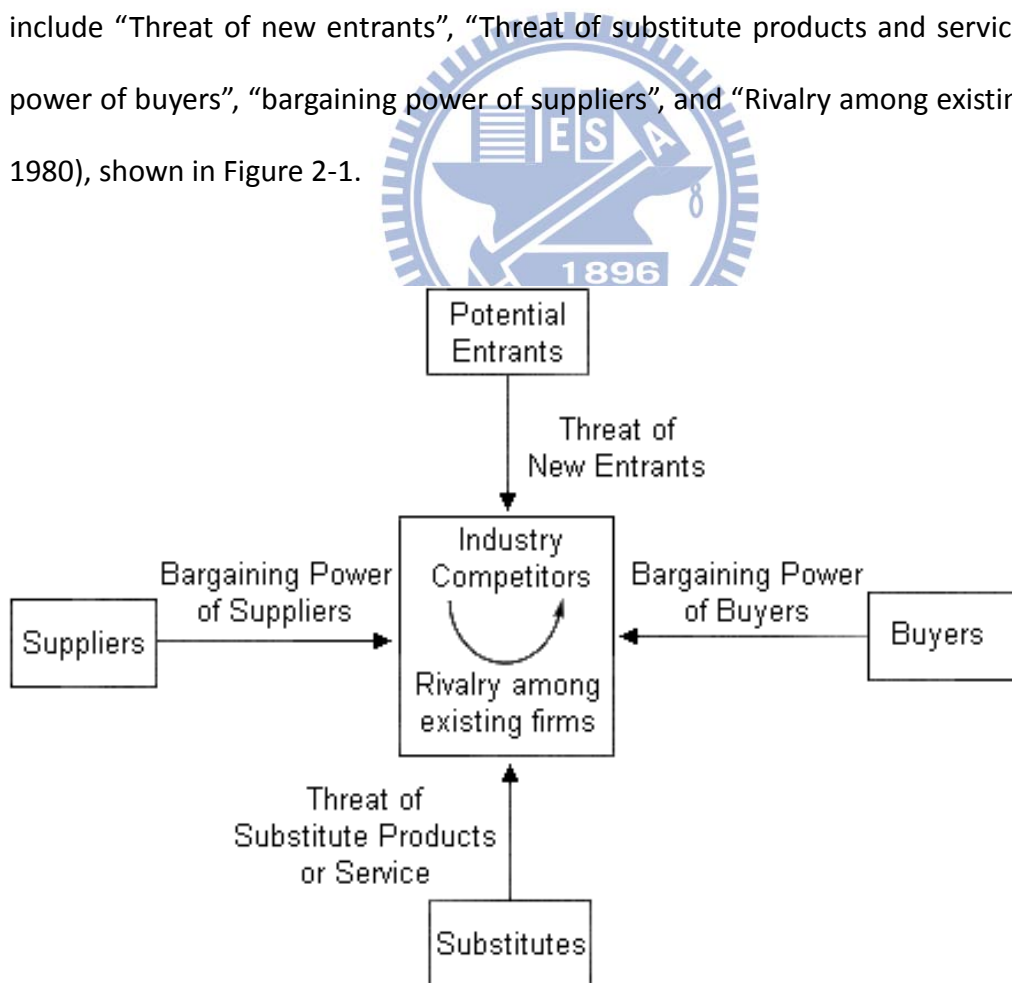


Figure 2-1: The Five Competitive Forces that Determine Industry Profitability

Source: Competitive Strategy (Porter, 1980)

The collective strength of these five competitive forces determines the ability of firms in an industry to earn, on average, rates of return on investment in excess of the cost of capital. Therefore, a firm can see through the complexity and pinpoint those factors that are critical to competition in its industry, as well as to identify those strategic innovations that would most improve the industry and its own profitability by five forces framework.

Positioning determines whether a firm's profitability is above or below the industry average, and the fundamental basis of above-average performance in the long run is sustainable competitive advantage. Three generic competitive strategies could be led by two basic types of competitive advantage which is combined with the scope of activities (Porter, 1980). They are "Cost leadership", "Differentiation", and "Focus". The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus strategies aim at cost advantage (cost focus) or differentiation (differentiation focus) in a narrow segment (see Figure 2-2). A firm must make a choice about the type of competitive advantage and the scope it seeks to attain to achieve competitive advantage.

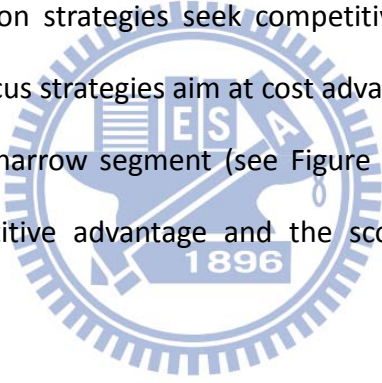


Table 2-1: Three Generic Strategies

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Competitive Strategy (Porter, 1980)

Michael Porter (Porter, 1998) introduced a basic tool, value chain, to diagnose and enhance competitive advantage. Figure 2-3 illustrates that the value chain divides a firm into the discrete activities it performs in designing, producing, marketing, and distributing its product, and these activities are categorized into two major groups: the “primary activities” and the “support activities”. All these activities link up together with external suppliers and partners and deliver the value to customers. Because the overall strength and weakness of a firm is determined by all the activities, a firm has to carefully combine, optimize, and align these activities for implementation of competitive strategy.

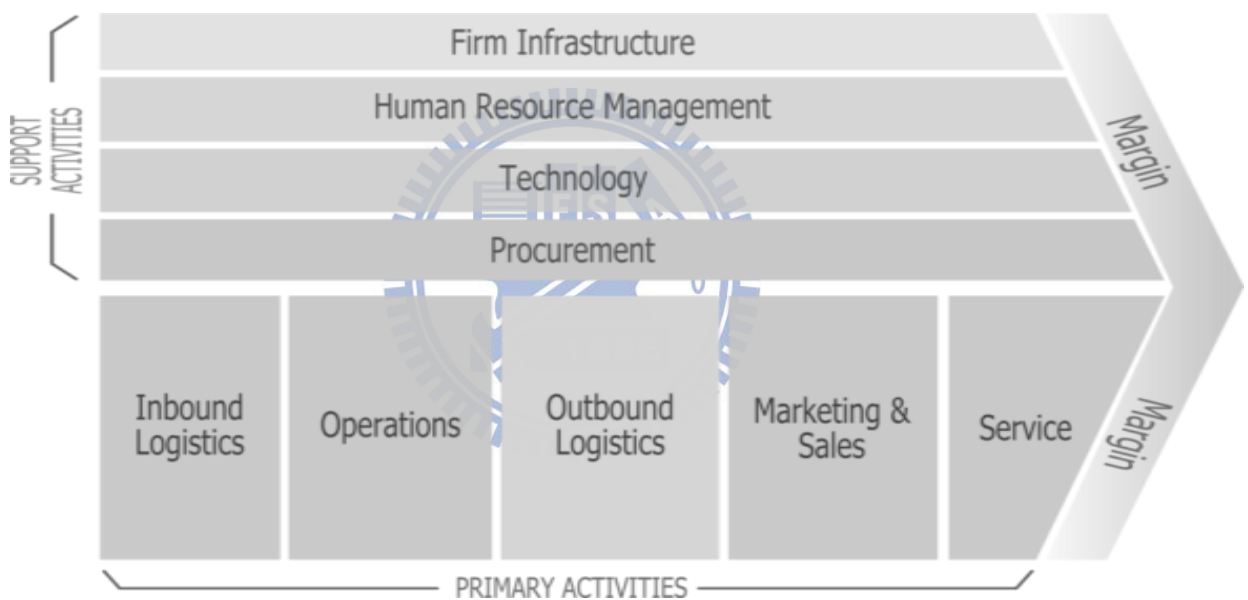


Figure 2-2: The Generic Value Chain

Source: Competitive Advantage (Porter, 1998)

2.2 E-Commerce

Electronic commerce (or e-commerce) can be formally defined as technology-mediated exchanges between parties (individual, organizations, or both) as well as the electronically based intra- or interorganizational activities that facilitates such exchanges (Rayport & Jaworski, 2001). Four distinct categories of e-commerce can be identified:

1. Business-to-business (B2B)

Refers to the full spectrum of e-commerce that can occur between two organizations.

2. Business-to-consumer (B2C)

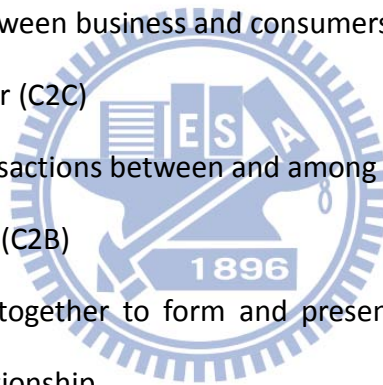
Refers to exchange between business and consumers.

3. Consumer-to-consumer (C2C)

Exchanges involve transactions between and among consumers.

4. Consumer-to-business (C2B)

Consumers can band together to form and present themselves as a buyer group to business in such a relationship.



Different from a traditional brick-and-mortar business, the e-commerce business has several unique characters and require further strategic discussion:

1. Core strategic decisions are technology-based
2. A real time competitive responsiveness
3. The store is always open
4. A technology-based customer interface
5. The customer controls the interaction
6. Knowledge of customer behavior

7. Network economics
8. Nontraditional performance metrics and emergent valuation models

The combination of these unique characters leads to value increases for both the customer and the firm, forming a highly dynamic and strong competitive market space.

2.2.1 The Growth and Development of E-Commerce

After Dot-Com bubble in 2000, Internet companies started to seek more profitable and stable revenue sources, and would like to put more attention on selling tangible products (Tsan, 2010). On the other hand, online shopping became more and more popular especially in regions which have high Internet usage rate. Although the online shopping market in North America and European during 2008 to 2009 had lower growth rate due to the global financial crisis in 2007, the overall market scale still had a stable increase because of the booming development in China. With the help of China market and the expected recovering in North America and European, it is estimated that the global market scale and growth rate of e-commerce would regain vigorousness in 2010 (see Figure 2-3 on next page).

In USA, The market scale of online shopping in 2011 is estimated at 191.7 billion USD and is expected to reach 210 billion USD in 2012 (see Figure 2-4 on next page). It's still the largest online shopping market in the world although the annual growth rate is slowing down due to the weak economy. Also, online shopping has become the major shopping channel in USA and takes around 8% of total retail sales. The waiving of the consumption tax and the convenience of online shopping are the stimuli to such development.

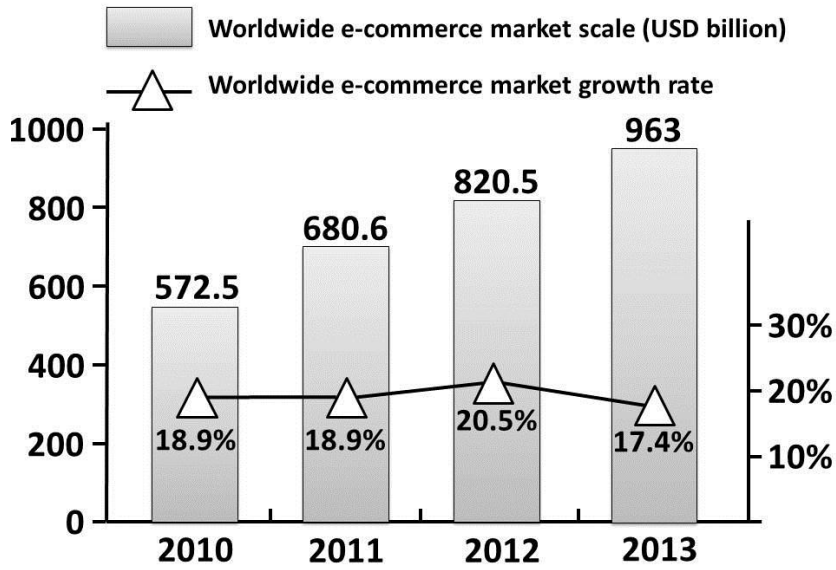


Figure 2-3: Worldwide E-Commerce Market Scale and Growth Rate

Source: J.P. Morgan Estimates (Rao, 2011)

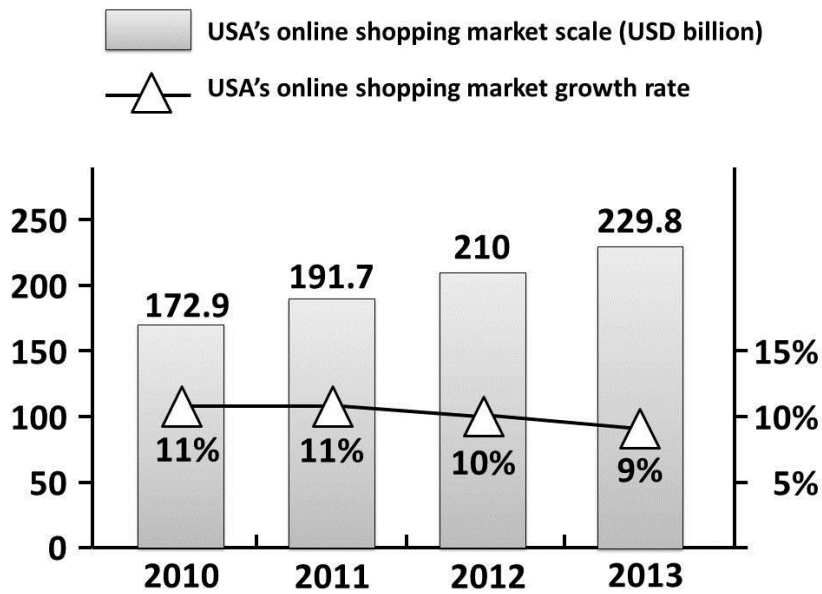


Figure 2-4: USA's Online Shopping Market Scale and Growth Rate

Source: E-Commerce Market Development Trend Analysis (Wang, 2010)

In Asia, China is going to surpass Japan to become the second largest online shopping market in the world in 2013 with 1000 billion RMB market scale (see Figure 2-5). The growing Internet usage rate, maturing network infrastructure, and developed online transaction/credit systems in China provide valuable nutrient for its online shopping market, motivating brick-and-mortar businesses to get online.



Figure 2-5: China's Online Shopping Market Scale and Growth Rate

Source: E-Commerce Market Development Trend Analysis (Wang, 2010)

As for the online shopping market in Taiwan, the product and services categories of online shopping keep increasing and diversifying due to the matured logistics and cash flow system, high consumer acceptance, sustained dedication of existing players, and emerging of new entrants. Taiwan's online shopping market is estimated at 566 billion NTD in 2011 and is expected to reach 691 billion NTD in 2012 (see Figure 2-6). According to the survey, 42% of e-shops in Taiwan don't have physical stores and 35.9% of e-shops are the extension of existing physical stores, 11.6% of e-shops and physical stores are established simultaneously and 9.3% of e-shops established online stores first then expended to physical stores.

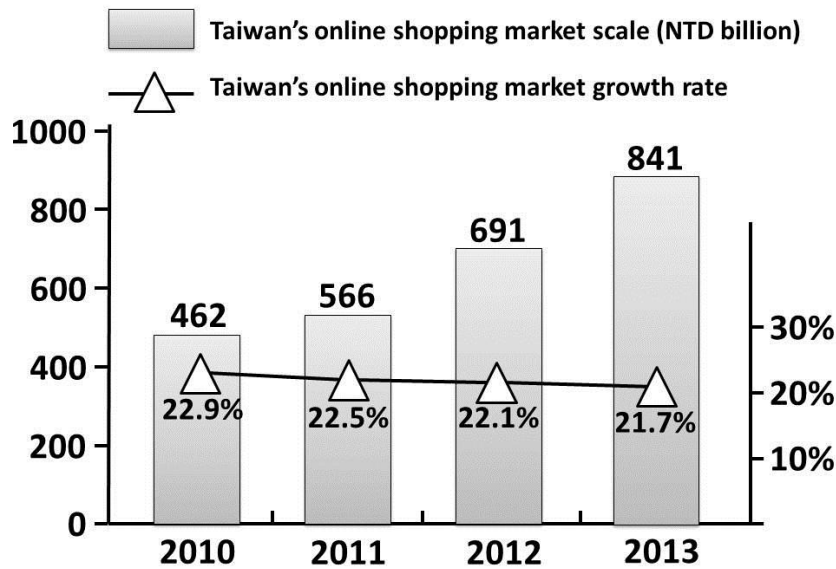


Figure 2-6: Taiwan's Online Shopping Market Scale and Growth Rate

Source: 2010 Taiwan E-Commerce Yearbook (Ministry of Economic Affairs, 2010)

Although the potential growth of the online shopping market is good, highly competitive market causes the slow pace of making profit: over 50% of the stores have not broken even yet. Many online shopping businesses therefore started to extend their distribution channels outside the island, aiming to establishing a cross-boundary platform in the region. Meanwhile, using mobile device to do the online shopping is the emerging trend and some web platforms have offered simple and basic service for mobile users. However, there is no any practical or matured mobile transaction solution in Taiwan currently.

2.2.2 Online Group Buying

In recent years, the advent of e-commerce has led to the creation of many new and interesting Internet-based selling models, and there are several opportunities for buyers to form coalitions on Internet. By forming a coalition, buyers can advantageously negotiate with sellers and purchase items at volume discount prices (Yamamoto & Sycara, 2001). A coalition is a set of self-interested agents that agree to cooperate to execute a task or achieve a goal (Tsvetovat, Sycara, Chen, & Ying, 2001). If the buyers with similar product or service requirements can form a virtual coalition to bargain collectively with the sellers, it can reduce the transaction cost of each side (Lai, 1999). A commonly accepted term to describe such internet-based coalition of buyers is so called “online group buying”, and now it refers to consumers use variant Internet platforms or tools to form up groups in order to aggregate their purchasing power, reach certain economic scale in quantity or in value, and obtain lower prices.

In terms of pricing aspect, group buying is a kind of dynamic pricing mechanisms. Kauffman and Wang (2001) indicated that in bricks-and-mortar world, posted pricing mechanisms have been the dominant pricing strategies, where retailers display the prices they ask for the merchandise and consumers decide whether they would accept the prices or not. In contrast, buyers are no longer left with this take-it-or-leave-it decision under dynamic pricing mechanisms. They can actively negotiation with the sellers to reach a satisfactory price.

Tsvetovat, et al. (2001) categorized the general coalition model into five major stages (as showed in Table 2-2), and also pointed out five issues have to be taken into account when designing a coalition protocols (as showed in Table 2-3).

Table 2-2: Five Major Stages for Coalition Models

Stage	Description
Negotiation	The coalition leader or another representative of the coalition negotiates with one or more suppliers to provide the good or service. The protocol must address issues as the choice of suppliers, and evaluation of competitive bids.
Coalition Formation	The coalition leader solicits new members to join his coalition. It is important to note that the coalition must have some admission constraints (such as geographical proximity of the members or their ability to pay for the goods.).
Leader Election / Voting	The members elect a coalition leader or cast direct votes for or against certain bids. Not all coalition formation protocols make use of this stage.
Payment Collection	The coalition leader (or elected treasurer, as defined by the protocol) collects the payments from coalition members and is responsible for conveying the full amount to the supplier.
Execution / Distribution	As a transaction is executed and the purchased goods arrive, they must be distributed to the members of the coalition.

Source: Customer Coalitions in Electronic Markets (Tsvetovat, et al., 2001)

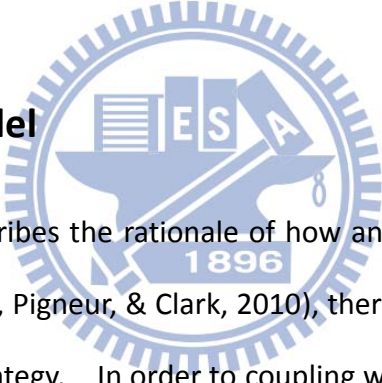
Table 2-3: Critical Issues When Designing a Coalition Protocols

Issue	Description
Coalition Stability	Are members of a coalition allowed to leave? If yes, what would be their incentive for leaving? Would a member leaving a coalition incur any costs or penalties – or would these penalties be incurred by the coalition as a whole or the supplier?
Distribution of Gain	How are the gains from the difference between retail and wholesale prices of a good distributed to the members of the coalition?
Distribution of Costs and Utility	Who bears the cost of goods distribution and how to arrange the logistics of such? If there is a reward for creating a larger coalition, how is this reward distributed?
Distribution of Risk	Who bears the financial risks as the transaction is executed and how large are they? Are there any uncertainties and which parties experience them? What are the strategies for minimizing such risks?
Trust and Certification	There are three levels of trust required for the coalition leader – trust in the negotiation stage, payment collection and in the distribution stage. Is such trust critical in the protocol? Is it possible to design a protocol that would not require such trust or minimize the number of stages where trust is required? How can the coalition deal with a breach of trust?

Source: Customer Coalitions in Electronic Markets (Tsvetovat, et al., 2001)

Besides, based on the order in which negotiation and coalition formation happen, most coalition protocols can be divided into two classes: pre-negotiation and post-negotiation. In the first scenario, pre-negotiated coalition, the coalition leader negotiates a deal with one or more suppliers using an estimated coalition size or order volume, and then advertises the creation of the coalition and waits for other members to join. If the estimation is wrong, the coalition leader has to absorb the loss. In another scenario, post-negotiated coalition, the group is formed first based on some admission criteria, and then a group leader negotiates with suppliers to offer the resulting deal to the group. The group must be able to trust its leader to negotiate on its behalf.

2.3 Business Model



A business model describes the rationale of how an organization creates, delivers, and captures value (Osterwalder, Pigneur, & Clark, 2010), therefore designing a business model is actually part of business strategy. In order to coupling with the new economy which rooted in ubiquitous electronic networks, Rayport and Jaworski (2001) proposed a process framework composed of four components on the part of senior management, and each component in the proposed process is fundamentally based around the benefits that matter most to customers. The four components and their topics are listed in Table 2-4.

Table 2-4: Business Model Framework by Rayport and Jaworski

Component	Topics of Component
A value proposition or a value cluster for targeted customers.	<ol style="list-style-type: none"> 1. Choice of target segment. 2. Choice of focal customer benefits. 3. Rationale for why the firm can deliver the benefit package significantly better than competitors in the same space.
A market space offering which could be a product, service, information, or all three.	<ol style="list-style-type: none"> 1. Identify the scope of the offering. 2. Identify the customer decision process. 3. Map the offering to the consumer decision process.
A unique, defensible resource system	<ol style="list-style-type: none"> 1. Identify core benefits in the value cluster. 2. Identify capabilities that relate to each benefit. 3. Link resources to each capability. 4. Identify to what degree the firm can deliver each capability. 5. Identify partners who can complete capabilities.
A financial model	<ol style="list-style-type: none"> 1. Revenue model. 2. Shareholder value model. 3. Growth model.

Source: e-Commerce (Rayport & Jaworski, 2001)

2.3.1 Business Model Canvas

Business Model Canvas is a tool that uses nine basic building blocks to show the logic of how a company intends to make money (as shown in Figure 2-7). The concept was introduced by Osterwalder, Pigneur, and Clark (2010) and intent to become a shared language of describing and manipulating business models.

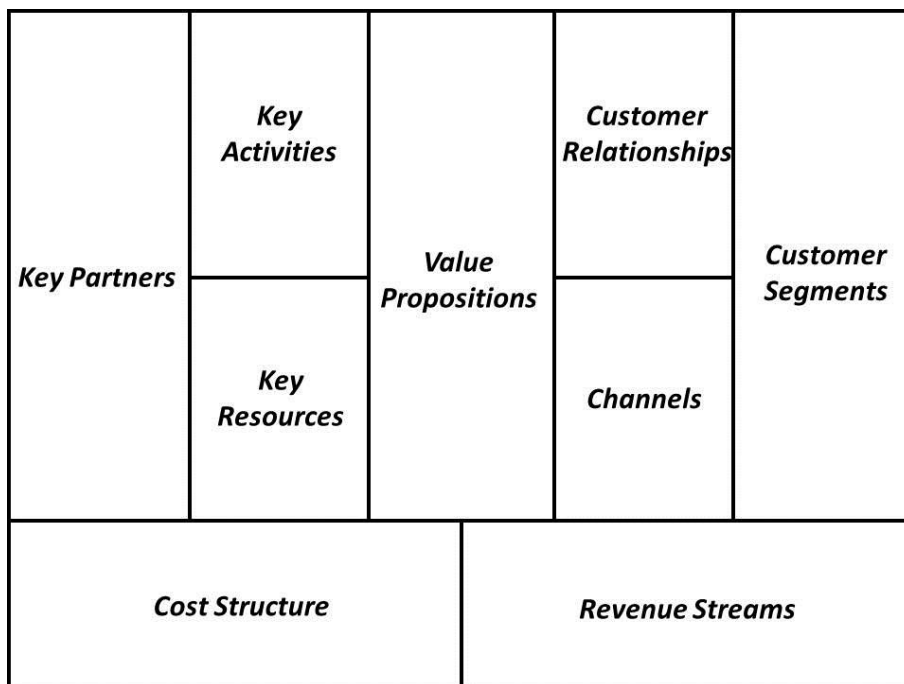


Figure 2-7: The Layout of Business Model Canvas

Source: Business Model Generation (Osterwalder, et al., 2010)

These nine building blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability, and provide a convenient method to screenshot a business model in a single comprehensive view. The arrangement of nine building blocks on the canvas reveals how does a firm build up its efficiency (the left side of the canvas) and deliver the value (the right side of the canvas).

2.3.2 Two-Sided Platforms

Osterwalder, Pigneur, and Clark (2010) summarized that two-sided platforms (or Multi-sided platforms) bring together two (or more) distinct but interdependent groups of customers. Such platforms are of value to one group of customers only if the other groups of customers are also present. The platform creates value by facilitating interactions between the different groups, and grows in value to the extent that it attracts more users, a phenomenon known as the network effect. Because of network effects, successful two-sided platforms enjoy increasing returns to scale, and mature two-sided network industries are usually dominated by a handful of large platforms.

Eisenmann, Parker, and Van Alstyne (2006) indicated that two-sided platforms typically have a “subsidy side”, that is, a group of users who, when attracted in volume, are highly valued by the “money side”, the other user group. The platform provider sets the prices for that side below the level it would charge if it viewed the subsidy side as an independent market. Conversely, the money side pays more than it would if it were viewed as an independent market. A practical two-sided platform nowadays usually subsidizes quality- and price-sensitive users and provides incentives for the prestigious users to participate exclusively in the platform. Table 2-5 summarizes some examples of two sided platforms in e-commerce field.

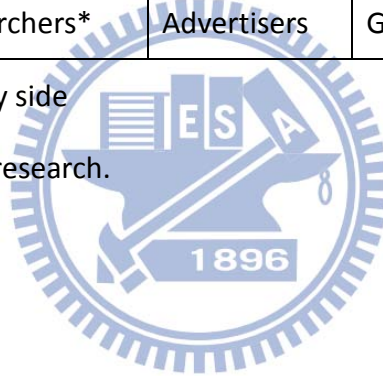
Evans, Hagiu, and Schmalensee (2006) pointed out that a platform could exist does not mean that it necessarily will or that it will provide the only method for providing benefits to customers, but generally reduces the transactions costs that members of different customer groups would incur in trying to reap the benefits of getting together.

Table 2-5: Examples of Two-Sided Platform in E-Commerce

Networked Market	Side 1	Side 2	Platform Providers
Apps Store	Users	Providers	Apple, Google, Microsoft
International Trade	Buyers*	Sellers	Alibaba
Online Recruitment	Job Seekers*	Employers	Monster, 104
Online Shopping	Buyers*	Sellers	Yahoo!, Rakuten, Taobao
Web Auction	Buyers*	Sellers	eBay, Yahoo!
Web Search	Searchers*	Advertisers	Google, Yahoo!, Microsoft

* Denotes network's subsidy side

Source: Compiled by this research.



Chapter 3 Case Background of ihergo.com

The only thing constant in business is change and the changing pace in terms of market, consumer behavior, and all the other factors is even much faster in e-commerce sector. The business models of group buying websites nowadays are dramatically different from those of pioneering websites established years ago, and gradually transform into a common form. However, a leading group buying website in Taiwan, ihergo.com, keeps evolving its business model and eventually walks through its own way. This chapter summarizes the overall development of online group buying, and then introduces the background and the development of ihergo.com.

3.1 Online Group Buying Development Worldwide

Group buying is a common purchasing method that almost everyone has experience about it. Before the Internet era, group buying usually happened between family members, friends, and colleagues who are in the close geographic area because of the convenience to form up a buying group. For example, students registered the same course would form up a group to purchase textbooks, people in an event would form up a group to purchase lunchboxes, and so on. When the order quantity reaches certain level, buyers would have the bargain power to negotiate a better price or discount, and also share the distribution cost. Now in the Internet era, online group buying refers to that consumers use variant Internet platforms or tools to form up groups in order to aggregate their purchasing power, reach certain economic scale in quantity or in value, and obtain lower prices. The geographic boundary has been broken and a bigger, agile, and lively group buying environment is formed on Internet.

In the initial stage of Internet era, bulletin board system (BBS), online forum, discussion board, and community become the major channels for people to form up buying group. When a purchase motivation was generated from an initiator, he then posted the group buying willing on one of online channel above to gather enough group members. Usually the initiator would, on behalf of the group, negotiate the price with product provider or simply place the order to let entire group benefit by lower logistics cost. Although the group forming process was eased by a better communication way, certain critical issues, such as payment collection, product distribution, and trust establishment still need to be handled by people. There was no single website designed to serve in group buying concept until 1998. And since then the online group buying concept has been gradually accepted by consumer and different business models tailored for it were continuously introduced.

Mercata, founded in 1998 is the very first website that adopted group buying concept (Cook, 2009; Kawamoto, 2001). Its model is like the inverse auction of eBay, allowing buyers to aggregate their purchase volumes and obtain lower prices by using a mechanism they trademarked as a “PowerBuy” auction cycle. For products listed in PowerBuy auction cycles, prices dropped in small decrements as more orders were placed (Kauffman & Wang, 2001). Dramatically, Mercata was closed in 2001 with only two years short life due to the difficulty to raise up capital in a negative IPO market. Its appearance however disclosed the potential of online group buying. Several group buying websites such as Mobshop, Demand-Line, LetsBuyIt, eSwarm, and Pudgin that tried to succeed Mercata either failed, giving up the group buying idea, or hardly accumulated enough users (Flynn, 2001). Table 3-1 summarizes the performance of these early entrants. For a while, it seemed that the group buying concept was a dead end in e-commerce field until the emergence of Groupon-like websites in 2008, which used a different group buying business model from Mercata.

Table 3-1: Summary of Online Group Buying Early Entrants

Name	URL	Launched	E-Commerce Type	Performance
Mercata	http://mercata.com	1998	B to C	Closed in 2001.
Mobshop	http://mobshop.com	1998	B to C	Dropped group buying concept in 2001.
DemandLine	http://demandline.com	1999	B to B	Closed in 2001.
LetsBuyIt	http://letsbuyit.com	1999	B to C	Closed in 2001.
eSwarm	http://eswarm.com	2005	B to C	Struggle to survive.
Pudgin	http://pudgin.com	2007	B to B	Closed in 2009.

Source: Summarized by this research.

The concept of Groupon (<http://groupon.com>) fits into the generalized definition of group buying because of its aggregate effect in terms of buyers. Its value proposition is offering consumers great values by guaranteeing businesses a minimum number of customers. Groupon actively seeks potential business partners and co-works a promotion package on its website, charging them 30% to 50% commission (Boston, 2009). It provides a single type of product for sale for a period of 24 hours and is localized to major geographic markets worldwide. Groupon works as an assurance contract: if a certain number of people sign up for the offer, then the deal becomes available to all (Cohen, 2009); if the predetermined minimum is not met, no one gets the deal that day (Weiss, 2010). This model significantly reduces the risk for both buyers and businesses because the deal is settled only when both parties' requirements are fulfilled, causing a win-win situation. Specifically, Groupon focuses on small and local businesses which are looking for a way to promote their products and services.

Small and local businesses usually advertise their promotion on local media, such as newspapers, TV and radio channels, on which are hard to measure the media efficiency. So even they have to pay high commission to Groupon, businesses gain significant media effect and extend their customer base, lifting up their overall sales. Figure 3-1 is a snapshot demonstrating a typical daily deal on Groupon’s website. Information such as the discount, the offering time, and the minimum numbers to trigger the deal, are clearly displayed on the page to stimulate coalition forming process and purchase willing.

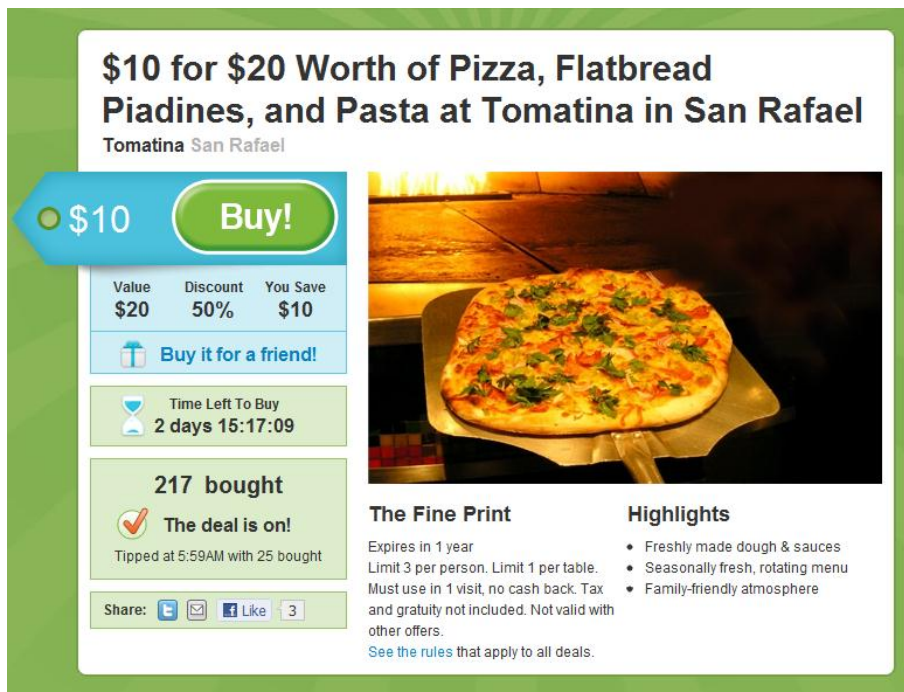


Figure 3-1: A Typical Promotion of a Daily Product on Groupon

Source: Groupon website (<http://www.groupon.com>), 2011.

Actually, Groupon is not the first one to produce this group buying model. Websites such as BuyWithMe (<http://buywithme.com>), LivingSocial (<http://livingsocial.com>), and SocialBuy (<http://socialbuy.com>) are using the similar model but just base on different target customers, regions, product types. The reasons why Groupon has become the current symbol of online group buying are its success to raise up capital and accumulate a huge

among of revenue, thus many followers from different regions tend to imitate and copy its business model. Figure 3-2 shows that there are no less than 70 Groupon-like websites in USA in 2010, and more were on the go. At the end of 2010, Groupon had grown to more than 4,000 employees and expanded to 565 cities, up from about 120 employees and 30 cities in 2009. Some of the growth has been fueled by the mergers and acquisitions of rivals in Europe and Asia (Hickins, 2011).

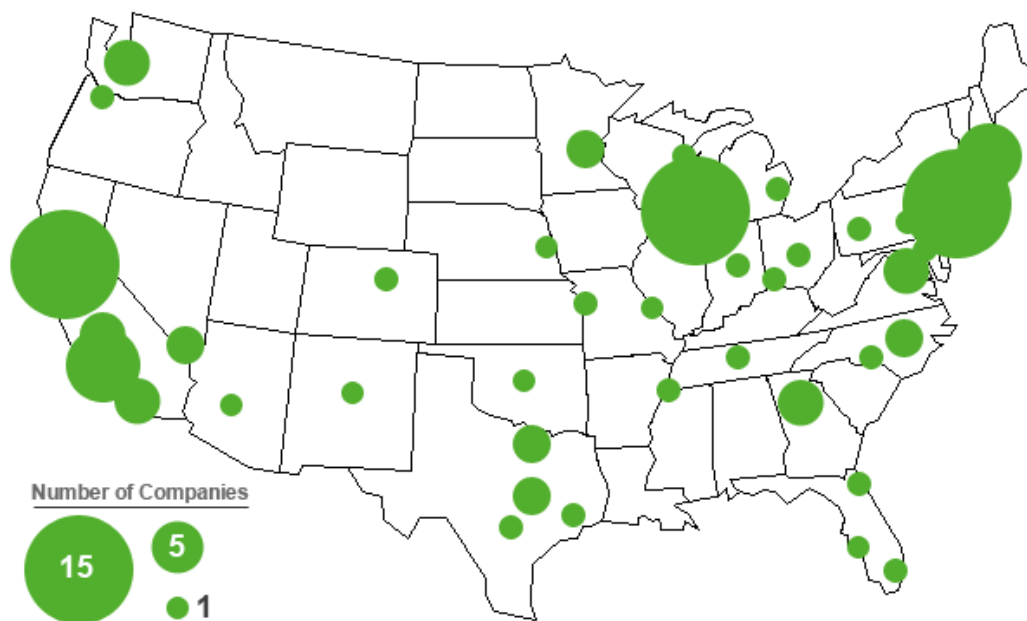


Figure 3-2: Number of Groupon-like Companies in USA in 2010

Source: Groupon Clones Pop Up Like Mushrooms In The United States, Too (Wauters, 2010)

Because of the huge number of Groupon-like websites that offer a single type of product for daily deal, consumers would find it's inconvenient to browse all of them one by one and search for their favor products and services. So the demand to have a summary which includes all the daily deals from those Groupon-like websites was generated. Triggering by such demand, websites like 8coupons (<http://8coupons.com>), Dealery

(<http://dealery.com>), and Yipit (<http://yipit.com>) all provide one-stop-shop services which distribute deal updates and digital coupons to consumers based on weekly top deals, customized online feeds, or the user's current location. Their core business activities basically are collecting group buying information from Groupon-like websites and put it into an index page. They primarily profit from online advertisement with pay per click (PPC) advertising model. Figure 3-3 is an index page on Yipit, listing popular daily deals offered from different Groupon-like websites for San Francisco area.

The screenshot shows the Yipit website interface for San Francisco. On the left, there is a sidebar with a search bar and category filters. The main content area is titled 'San Francisco Daily Deals' and lists four deals:

- 50% off a Portrait Session and Prints:** Vintage Fashion Expo Photography Services. Found: Sunday. From: Groupon. Price: \$75. Worth: \$150. Discount: 50%. Savings: \$75. 1 purchased.
- 50% off 55-minute Massage:** Body Repairman. 870 Market St - San Francisco. Found: Saturday. From: kgb deals. Price: \$35. Worth: \$70. Discount: 50%. Savings: \$35. 8 purchased.
- 62% off Wine Tasting for Two + More!:** Domenico Winery. 1697 Industrial Rd - San Carlos. Found: Saturday. From: Groupon. Price: \$15. Worth: \$40. Discount: 62%. Savings: \$25. 348 purchased.
- 50% off Hawaiian Coffee and Smoothies:** Maui Wovi Hawaiian. 39 Pier - San Francisco. Found: Saturday. From: Groupon. Price: \$5. Worth: \$10. Discount: 50%. Savings: \$5. 234 purchased.

Figure 3-3: Daily Deals of San Francisco on Yipit

Source: <http://yipit.com>, 2011

3.2 Online Group Buying Development in Taiwan

In general, Taiwan e-commerce market follows USA e-commerce market closely. The websites in USA which has successful and proven business model would usually be duplicated in Taiwan with some extent of modification and localization. However, different from the general cases, the study case of this research: ihergo.com, had appealed before the latest trend coming from the USA e-commerce market and developed a unique business model.

Before the launch of ihero.com, online group buying in Taiwan means using bulletin board system (BBS), online forum, discussion board, and community to create buying pool to gain the discount or save the logistics cost due to the effect of economic scale. In that case, the initiation was usually triggered by consumers and the group forming process was purely manual. The Buy-Together board on PPT (批踢踢, [telnet://ptt.cc](http://ptt.cc)), a bulletin board system (BBS) operated by National Taiwan University, was the most popular online channel of online group buying in Taiwan. A person who likes to purchase certain product would create a new topic on Buy-Together board of PPT and naturally become the group leader, and then the other people who want to join the group would simple reply that topic, indicating the purchase quantity and contact information.

Because of the dedication on business-to-consumer (B2C) applications and the lacks of proven cases, Taiwan e-commerce market didn't have strong momentum in online group buying when Mercata and the others early entrants first appealed in 1998, let alone they had to survive from dot com bubble later. Until 2007, a group buying platform, ihergo.com, was launched and was initially designed for group buying users. The friendly interface design and web functions catered for both group buying initiators and members rapidly attracted people from conventional online channels. Its initial business model and later evolvement localized for Taiwan e-commerce market and consumer behavior are also special and unique.

Further detailed of ihergo.com will be elaborated in the late content of this paper.

Table 3-2: Groupon-like websites in Taiwan, 2011

Name	URL	Background
123 Group Buying (123 團購網)	http://123.com.tw	
17life (17P 好康)	http://17life.com	Founded by PayEasy
17shopping (一起買團購網)	http://17shopping.tw	
52886 (愛台灣團購網)	http://52886.com.tw	
Buy917 (買揪一起)	http://buy917.com	
Gomai (Go 買)	http://www.gomai.com.tw	
GOMAJI (團購麻吉)	http://gomaji.com	Partners with PChome
Goodlife (好生活)	http://www.goodlife.tw	
Groupon Taiwan	http://groupon.com.tw	Founded by Groupon
IJO (愛揪團)	http://ijo.com.tw	
JIGOCITY (集購城)	http://jigocity.com.tw	
Joinme (開心購)	http://joinme.tw	
Joymary (揪美麗)	http://joymary.yam.com	Founded by Yam
Lashou Taiwan (拉手網)	http://tw.lashou.com	Founded by Lashou
Let's Gou (Let's 購)	http://lets gou.com.tw	

Source: Summarized by this research.

Although Taiwan e-commerce market didn't favor online group buying concept at the very beginning and acted as a late-adopter, the growing speed of online group buying is fast and the consumer feedbacks toward the trend are rational positive. In 2010, suddenly many Groupon-like websites emerged to seize the business opportunity created by Groupon.

Besides those new entrants, some famous B2C platforms such as PayEasy, PChome, and Yam(蕃薯藤), also entered this segment or partnered with an existing player. In addition, Groupon from USA and Lashou from China also actively entered Taiwan e-commerce market. Table 3-2 briefly summarizes current Groupon-like websites in Taiwan.

As for the consumer aspect, 22.3% of Taiwan Internet users in 2010 would use online group buying when they do online shopping, which is twice the previous year according to the survey conducted by Market Intelligence & Consulting Institute (MIC). Meanwhile, less people would use consumer-to-consumer (C2C) platform or online auction to do online shopping (See Figure 3-4).

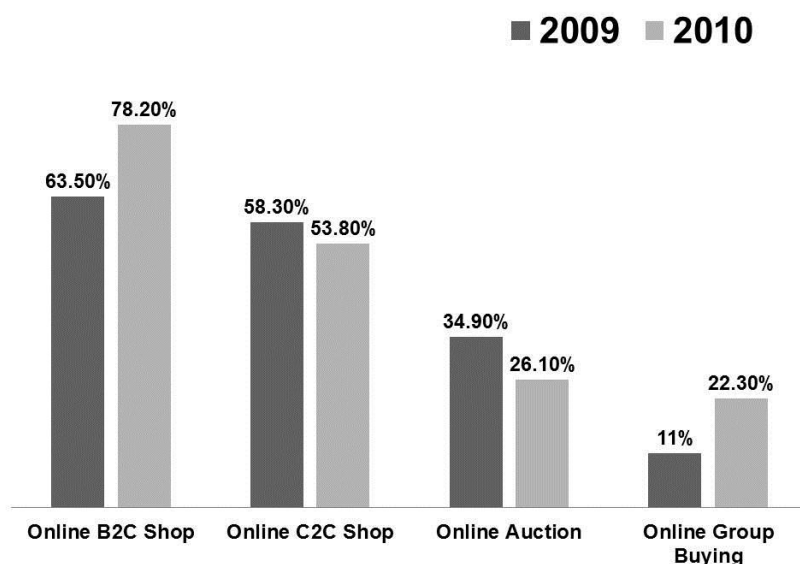


Figure 3-4: The Usage Survey of Online Shopping Channels

Source: E-Commerce Market Development Trend Analysis (Wang, 2010) & Online Shopping Behavior Analysis of Taiwan Internet Users (Huang, 2011)

Similar to the online group buying market in USA, websites like 50% Off Daily News (五折日報, <http://55555.tw>), and Let's Buy (Let's 購! 團購情報, <http://eat104.com/17buy>), provide one-stop-shop pages and play as pure information aggregators, making profit from online advertisement and network traffic directing.

3.3 The Development of ihergo.com

ihergo.com (愛合購) was founded by two former IBM engineers, Leo Liu and Guo-jun Chang, in 2007. Before they put the idea into full play, they noticed that almost every popular online forum has group buying board and the Buy-Together board on PTT BBS has a huge number of users and visitors. They observed that the major users and the visitors of Buy-Together board are college students which only took a small portion of total population in Taiwan (around 200 million people). Also, the primitive command line interface of BBS is not friendly to general Internet users at all, which drives out a lot of potential online group buying users. Therefore, they thought the total demand for online group buying should be much bigger. Since there was no any website targeting on online group buying at the time and the business potential in terms of the group buying demand and the number of Internet users is big, they decided to enter the market and introduce ihergo.com.



3.3.1 Development Track

The beta version of ihergo.com was online in March 2007 and then it took 6 months for technical adjustment. During this 6 months period, the engineers were modifying the layout technology of website to let Internet search engine like Google easily crawl into. The effort increases the total number of web pages of ihergo.com indexed in Google's database and shown on search result pages. It turned out to be a critical move and raised the visiting number of ihergo.com. Eventually, the formal version of ihergo.com was launch in October 2007. Figure 3-5 marks all the critical events of ihergo from its launch to April 2011.

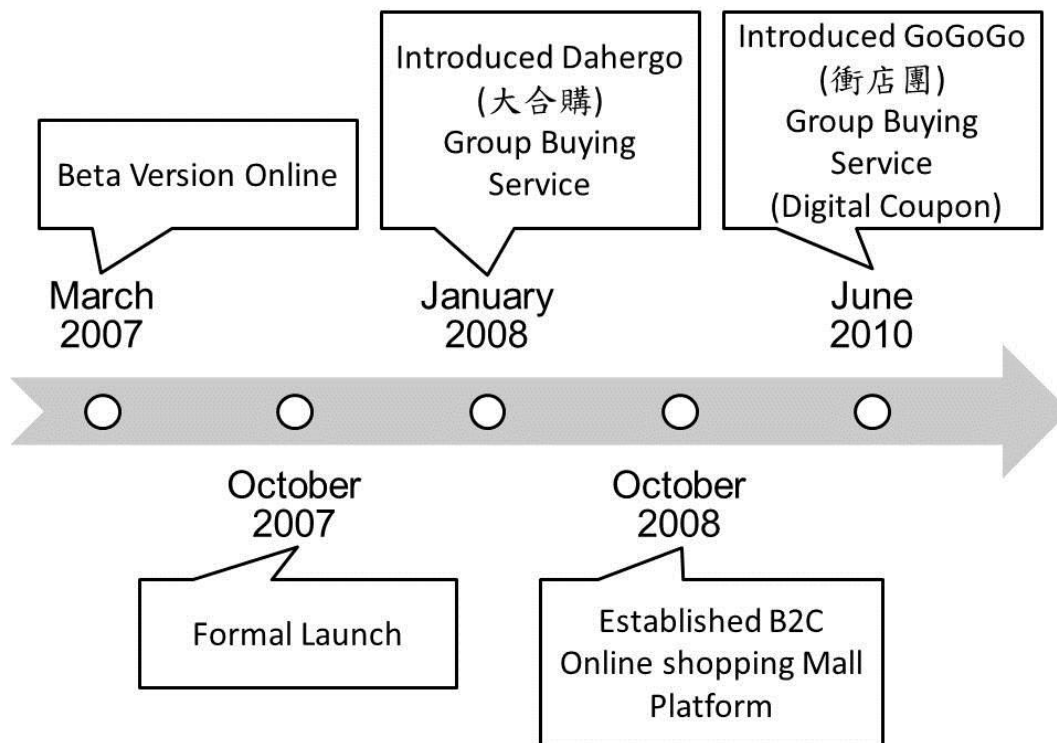


Figure 3-5: Critical Events of ihergo.com

Source: Summarized by this research.

At the initial stage, ihergo.com provides a tailored platform to ease the online group forming process. Because of the friendly interface, comprehensive functions, and completed online user guidance, it soon accumulated a lot of registered users and also drew many from the other online group buying channels. However, the management of ihergo.com didn't establish a matured revenue model at the time although it had gathered a huge amount of Internet users and high network traffic.

The first stable revenue source of ihergo.com comes from its new service, Dahergo (大合購), which was introduced in January 2008. At the time, Groupon already proved its business model in USA, so the management of ihergo.com sensed the trend and then made a copy on its platform with some extent of localization. They packaged the idea as joining a big buying group led by ihergo.com to let consumers better understand the concept.

Different from the daily deal on Groupon, ihergo.com didn't limit its Dahergo service to a single type of product for daily sale, but kept the time period flexible and adjusted it according to different product types.

In October 2008, ihergo.com made a big decision to create a business-to-consumer (B2C) online shopping mall on its existing group buying platform. It developed a convenient and powerful administration system for businesses to update their shop content, interact with customers, and manage online operation. Since then Internet users can purchase, call for a buying group, or join a buying group on the same product demonstration page, which is never seen on any e-commerce website before. In addition, ihergo.com was able to create another stable revenue source by collecting online advertising fee from its online stores.

In June 2010, ihergo.com further introduced a new service called GoGoGo (衝店團) to provide digital coupon solution. It not only attracted more service-oriented businesses to open online store on its platform, but also stimulated group buying activities by simplifying the payment and collection process for group buying users. Because of the sustainable innovation and the unique online group buying model, ihergo.com was rewarded the Golden Website Prize in E-21 e-commerce competition held by Institute for Information Industry (III) in November 2010.

3.3.2 Company Status

Table 3-3: Company Profile of ihergo.com

Basic Profile	
Founded	2006
Founders	Leo Liu and Guo-jun Chang
Headquarter	Taipei, Taiwan
Capital	2 million (NTD)
Employees	18 people
Company Structure	<ol style="list-style-type: none"> 1. Engineering department 2. Visual design department 3. Marketing and communication department
Platform Related Data	
Registered Members	Over 300 thousand people
Registered Stores	Over 30 thousand stores
On-Shelf Items	Over 274 thousand items
Group Buying Clubs	Over 8 thousand Clubs
Average Buying Group Per Day	Over 6 thousand groups
Financial Related Data	
Annual Platform Cash Flow	Over 1.1 billion (NTD)
Annual Revenue	Over 24 million (NTD)

Source: <http://ihergo.com>, April 2011

Table 3-3 shows the company profile of ihergo.com. It started with only two employees and kept that agile scale until the end of 2009, indicating how small human resource are needed to start up a e-commerce business. With only 2 million NTD capital, ihergo.com gradually grows to a company with 18 employees and 3 departments in 2011. The company is still relatively small, yet the network effect it has generated and the huge number of members and stores are quite astonishing. Up to the present, ihergo.com has more than 300 thousand registered members and over 30 thousand stores, ranked the no.1 group buying website in Taiwan in terms of total user number and platform cash flow.

ihergo.com has a remarkable growing record in terms of platform cash flow. According to the data provided by ihergo.com, 1.1 billion NTD of cash flow (includes both group buying and online shopping mall transactions) was created on its platform during year 2010, which is almost double the number in previous year (See Figure 3-6).

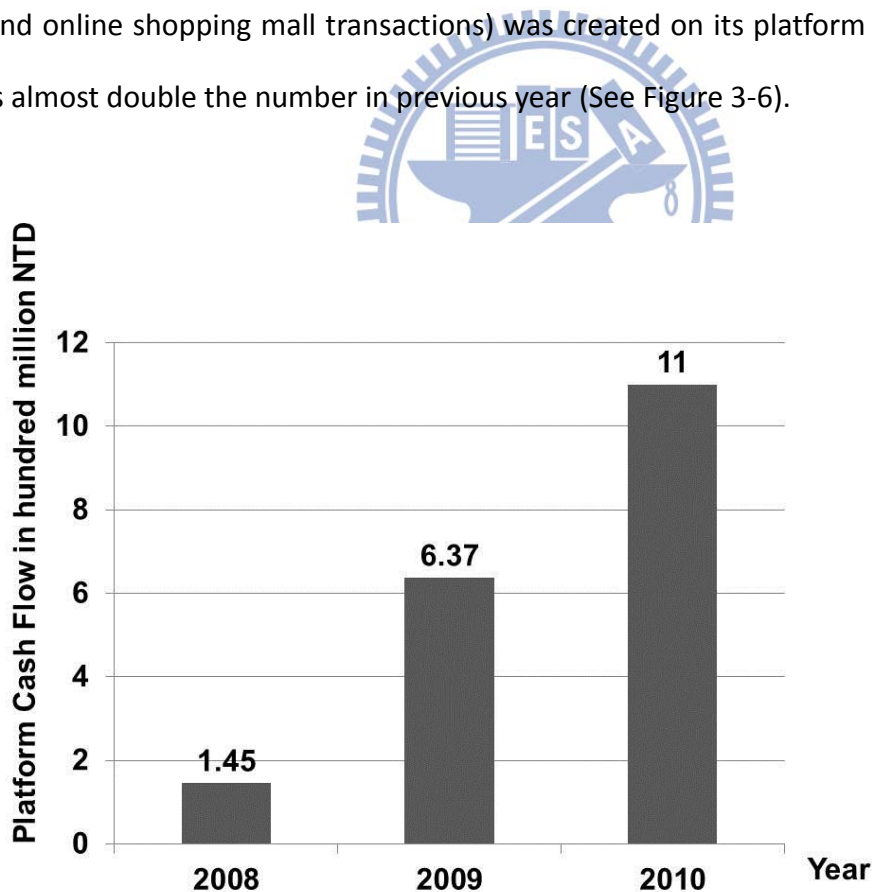


Figure 3-6: Platform Cash Flow of ihergo.com

Source: <http://ihergo.com>, January 2011

By continuously developing and cultivating its business model, ihergo.com attracts more and more Internet users and small businesses, generating a big business momentum on its platform. Now the annual profit of ihergo.com reaches 20 million NTD, which is ten times more than its start-up capital.

3.3.3 Web Analysis

As a combination of group buying and online shopping mall platform, ihergo.com can create network effect from both consumer side and business side, having massive incoming network traffic. According to the data provided by Alexa (<http://alexa.com>), around 1% of global Internet users visit ihergo.com daily and the growing trend is stable upward (See Figure 3-7). The network traffic of ihergo.com is also relatively stable and sustainable comparing to the other group buying websites in Taiwan. For example, the daily reach graph of a Groupon-like website is usually fluctuating because its daily deal product does not always grab attention from Internet users.

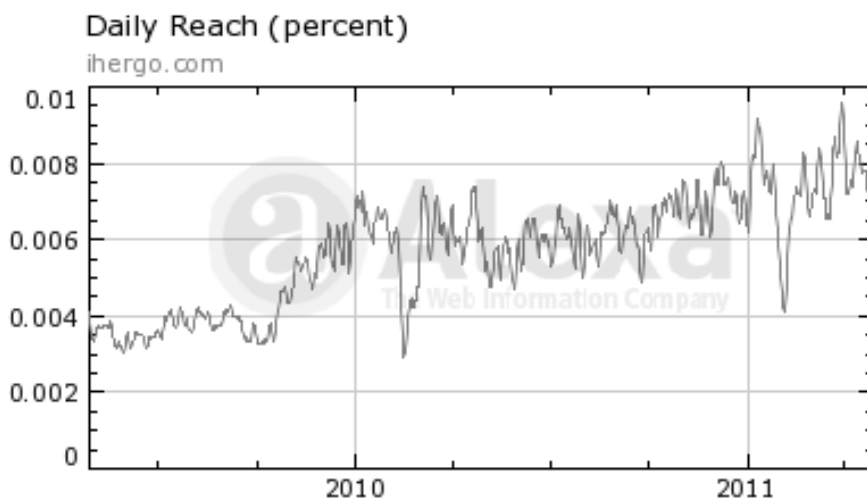


Figure 3-7: Percent of Global Internet users Who Visit ihergo.com

Source: Alexa (<http://alexa.com>), April 2011

From the audience demographics summarized by Alexa (See Figure 3-8), the major Internet visitors to ihergo.com relative to the general Internet population are female, aged from 25 years old to 54 years old, have annual income range from 30 thousand to 100 thousand USD, received college degree, and login ihergo.com at work place. And according to the report published by Market Intelligence and Consulting Institute (MIC) in 2011, female, aged from 20 years old to 39 years old, white-collar workers and students form up the major part of group buying users in Taiwan (Huang, 2011). By cross-analyzing these two demographics, a big overlapping area was discovered and it implies that the management of ihergo.com did well on market positioning.

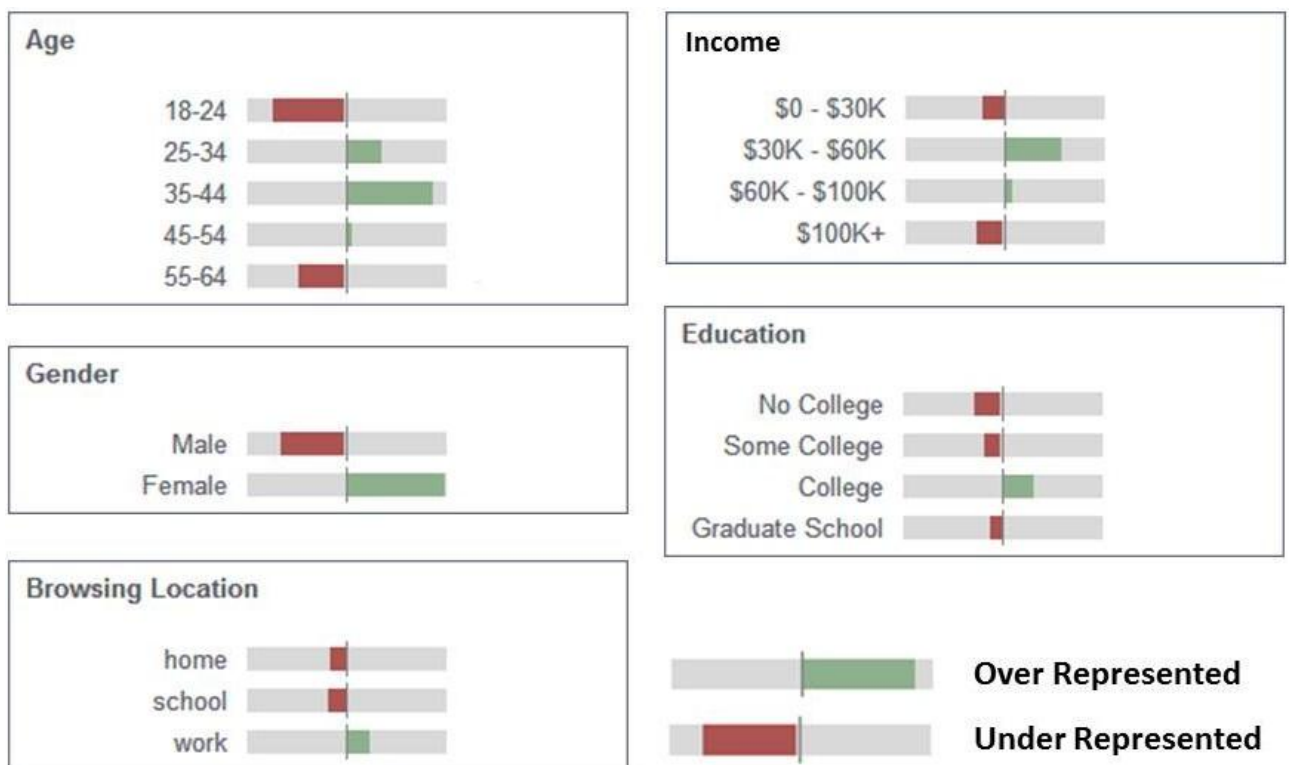


Figure 3-8: Audience Demographics for ihergo.com

Source: Alexa (<http://alexa.com>), April 2011

Chapter 4 Case Analysis of ihergo.com

The analysis in this chapter consists of two parts: business model evolution and business model analysis. The focus of the first part is on the evolving process of business model and the strategic concerns along the time. By doing so, an overall picture can be revealed and those critical activities can be identified in advance for the business model analysis later. In order to clearly convey the idea, the business model canvas introduced by Osterwalder, Pigneur, and Clark (2010) is adopted to illustrate the business models in different important stages. The analysis in the second part is conducted with the business model framework proposed by Rayport and Jaworski (2001). Finally, the key success factors summarized from the analysis process will be given.

4.1 Business Model Evolution

A welcome application in e-commerce today could be suddenly abandoned due to the introduction of new technology or the fickle consumer behavior, so it is crucial to be alert and sharp. Especially for an e-commerce company, sometime it is necessary to modify or even change existing business model to fit in the current market atmosphere in a good timing. Successful companies usually can foresee the coming trend and be prepared in advance, normal companies just react to the market changes, and those failures only act late and sometime are struggle to survive. Thus this section analyzes the evolution process of current business model of ihergo.com since its launch, and compares the external environments and internal strategic concerns to identify its business performance and key activities.

4.1.1 A Pure Group Forming Platform

The initial business model of ihergo.com is a pure group forming platform as the business model canvas shown in Figure 4-1. From the time its launch to January 2008, ihergo.com basically was no more than a group forming platform elaborated for group buying users. Comparing to the conventional group forming channels, such as bulletin board system (BBS), online forum, discussion board, and community, the friendly interface and comprehensive web functions of ihergo.com not only ease and accelerate the group forming process, but also help group buying users form up long term relationships with each other for future repurchasing.

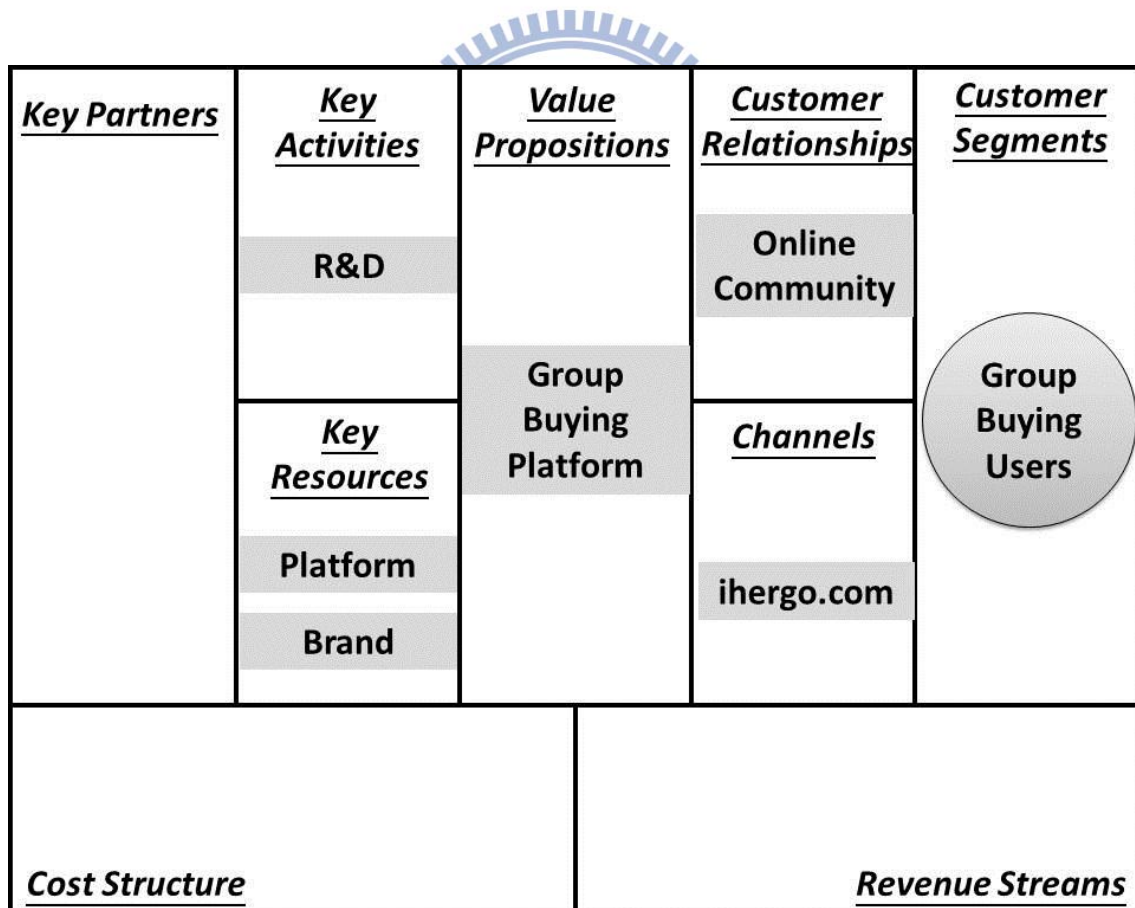
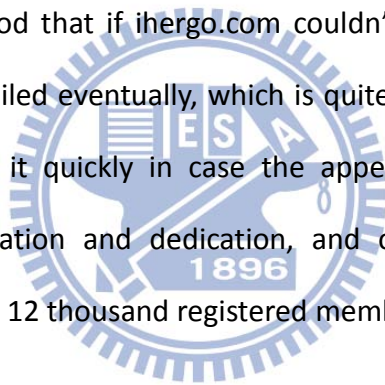


Figure 4-1: Initial Business Model of ihergo: A Pure Group Forming Platform

Source: Compiled by this research.

At this stage, ihergo.com only had single customer segment which is group buying users, and its value proposition was to provide the group buying platform. Besides its core function, group forming, it introduced some social functions such as online forum and group buying clubs to increase platform stickiness and attract more group buying users from other online channels. As a result, it created a strong online community and leveraged it to do customer relationship management (CRM). Its key activities were operating and maintaining the web platform, and kept improving web interface and functions, implying that the research and development played the key role at the time.

One of the cofounders, Leo Liu, mentioned that ihergo.com concentrated on cultivating user base, so establishing a revenue model actually was not their primary concern at the time. They fully understood that if ihergo.com couldn't accumulate a big user base, any revenue model would be failed eventually, which is quite true in e-commerce business. In addition, they have to do it quickly in case the appearance of new entrants. At last, because of their concentration and dedication, and offering free membership service, ihergo.com successfully had 12 thousand registered members in the first year.



4.1.2 Adopting Group Buying Agent Role

Once ihergo.com had accumulated a strong user base, the management of ihergo started to seek their revenue source and the success of Groupon gave them a big hint. Groupon works with local business partners and proposes a daily deal package for their products or services, charging them 30% to 50% commission. This business model, basically playing an agent role between businesses and consumers, was built on a safe premise: the deal only becomes available if the predetermined minimum is met. It only requires small resource and is not risky for both local businesses and web platform operator. The management of ihergo took the idea and introduced its own version: Dahergo (大合購)

in January 2008, but customized it to better fit in the Taiwan e-commerce environment and local consumer behavior. For example, ihergo.com didn't keep the deal within a day, but introduced a flexible selling mechanism, and it provided more than one type of products for sale at the same time. Figure 4-2 shows the business model of ihergo.com after it introduced Dahergo service.

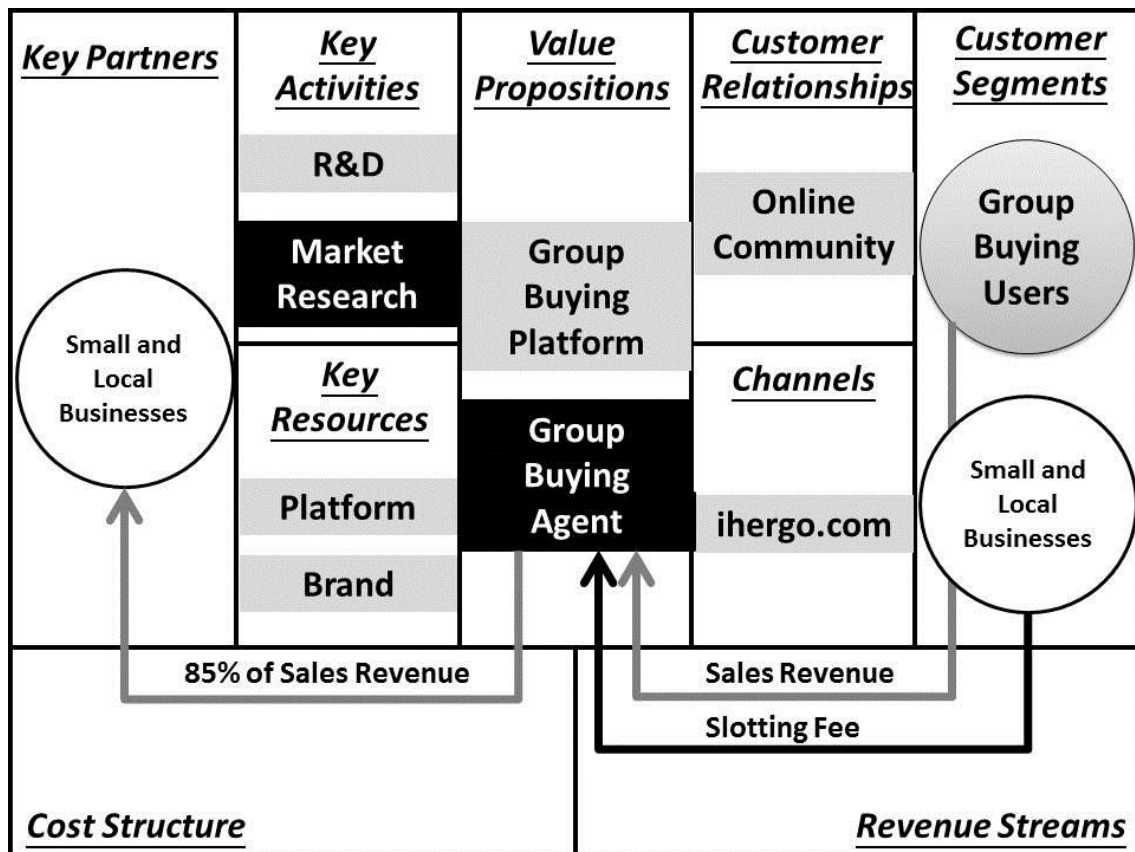


Figure 4-2: Business Model of ihergo with Group Buying Agent Role

Source: Compiled by this research.

At this stage, the key activities are not only R&D but also market research to discover potential products and service for Dahergo. The web system of ihergo.com was comparatively mature and stable to its initial stage, so the management could put more effort on building up the new service, Dahergo, and establish a marketing and communication department to seeking potential business partners. ihergo.com charges

businesses fixed slotting fee and took 15% of sales revenue as commission. Since then a two-sided platform was formed up on ihergo.com, targeting on two customer segments: group buying users and small and local businesses. The outcome of Dagergo service turned out to be positive and gave much confident to the management, stimulating its next transforming.

4.1.3 Introducing B2C Online Shopping Mall

The two-sided business model established through Dahergo service had its limitation because it could not efficiently create network effect. Although Dahergo can effectively generate revenue, the service only can offer less than 10 promotions at the same time. And due to the limited number of businesses that ihergo.com partner with in Dahergo service, the network effect was trapped even though it had a huge group buying user base. In order to break through this barrier, the management of ihergo.com decided to introduce business-to-consumer (B2C) online shopping mall on the existing platform in October 2008, substantiating the business side of its two-sided platform (See Figure 4-3).

In 2008, there were already three big online shopping malls: PChome, Yahoo! Kimo, and Rakuten in Taiwan e-commerce market. Boldly introducing another online shopping mall without clear positioning would be a dangerous move. The management of ihergo.com found out that their business partners in Dahergo service usually don't have any shop on those three online shopping malls, and they all share some common characteristics, such as low capital, small economic scale, and local oriented. Therefore they focused on this niche market and introduced an online shopping mall tailored for small and local businesses. The result that ihergo.com has gained an enormous network effect, successfully gathering a huge number of stores and registered members, has proved it is a right decision.

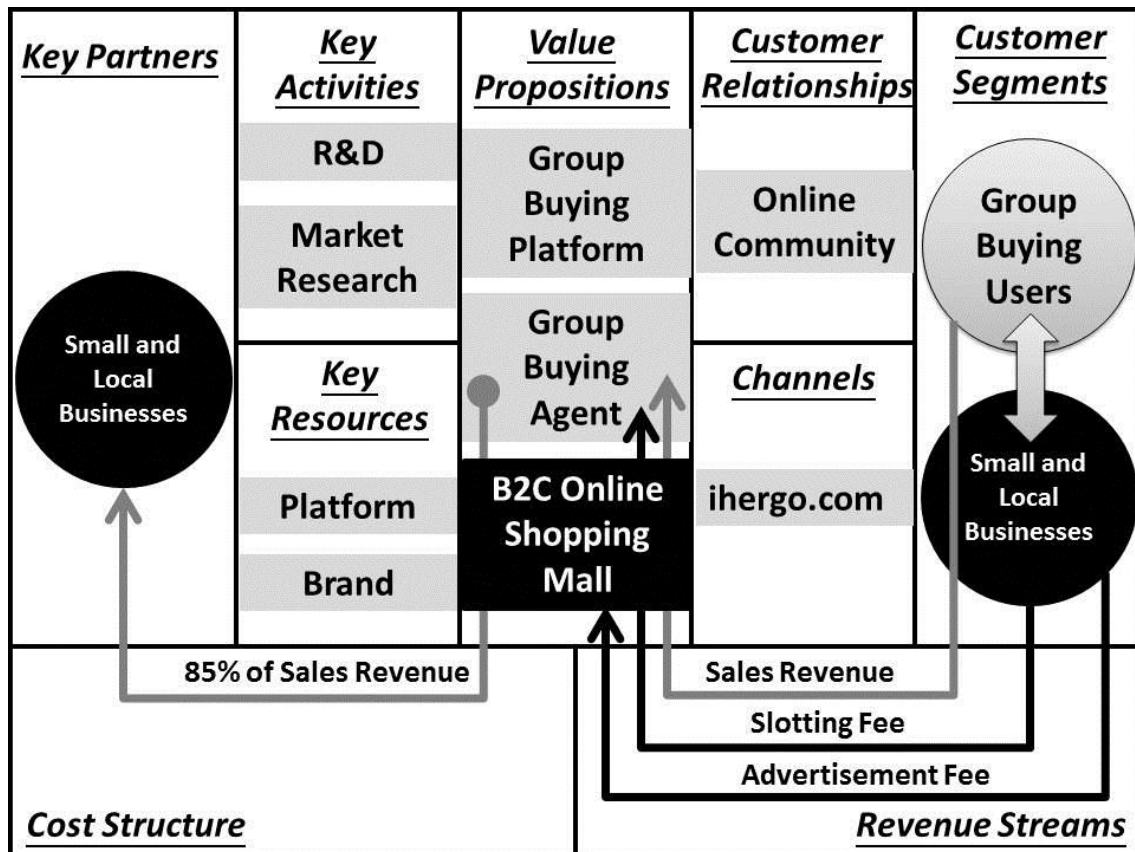


Figure 4-3: Current Business Model of ihergo

Source: Compiled by this research.

To sustain this two-sided business model, ihergo.com strengthened its R&D and marketing capabilities to deal with massive network traffic and huge customer base on both consumer and business sides. The management also found out that it became easier to do market research for Dahergo service, because they can discover potential partners by simply doing data mining from their online shopping mall directly. Moreover, they have confirmed that three major services of ihergo.com: group buying platform, online shopping mall, and agent service, Daghergo, have no neutralizing effect and even reinforce each other.

4.2 Business Model Analysis

To further discuss the advantages of ihergo's current business model, the business model framework proposed by Rayport and Jaworski (Rayport & Jaworski, 2001) that divides the business model into four components, value cluster, marketplace offering, resource system, and financial model, was adopted to conduct the analysis in this section.

4.2.1 Value Cluster

Construction of a value proposition/cluster requires management to specify three items: (1) choice of target segment, (2) choice of focal customer benefits, and (3) rationale for why the firm can deliver the benefit package significantly better than competitors in the same space. Table 4-1 summarizes the three items of ihergo's value cluster.

ihergo.com has two target segments: group buying users and small & local businesses, which together form up a two-sided platform. The first target segment, group buying users, was pointed out when ihergo.com introduced its group buying platform. This segment represents the consumers who have motivation to get involved online group buying activities, and was basically divided into two roles: group buying leader and group buying member. In the group buying process, the recognition of need could be initiated from either group buying leader or group buying member, but the purchase is usually done by group buying leader.

Table 4-1: Table of ihergo's Value Cluster

Target Segments	Key Benefits	Supportive Rationale
Group Buying Users	<ol style="list-style-type: none"> 1. Effective and efficient group forming platform. 2. Lower price products. 	<ol style="list-style-type: none"> 1. Superior group forming functions, influential online community. 2. Social network integration. 3. Online shopping mall tailored for group buying. 4. Partnerships with businesses.
Small and Local Businesses	<ol style="list-style-type: none"> 1. Low cost online stores. 2. Broadened customer base. 3. Effective and efficient promotion packages. 	<ol style="list-style-type: none"> 1. Free for opening a store. 2. No slotting fee. 3. Social network integration. 4. High exposure to ihergo's huge user base.

Source: Compiled by this research

The second target segment, small and local business, was pointed out when ihergo introduced its B2C online shopping mall. This segment represents the businesses that have relatively small capital and economic scale, and their product and service are local oriented. They are for example: restaurants, shops, salons, and clinics. In 2008, there were three big B2C online shopping malls in Taiwan, respectively operated by Yahoo!, PCHome, and Rakuten. It will be an impolitic action if ihergo blindly gets into the market without a clear market positioning strategy. The management of ihergo.com inspired by their former service: Dahergo, realized that a B2C online shopping mall targeted for small and local businesses will be a valuable niche. Small and local businesses don't favor online shopping malls at the

time because it is too costly for them to open and maintain an online store. The management of ihergo.com identified the bottom area on the pyramid of business scale as their target segment for their online shopping mall service (See Figure 4-4 from below).

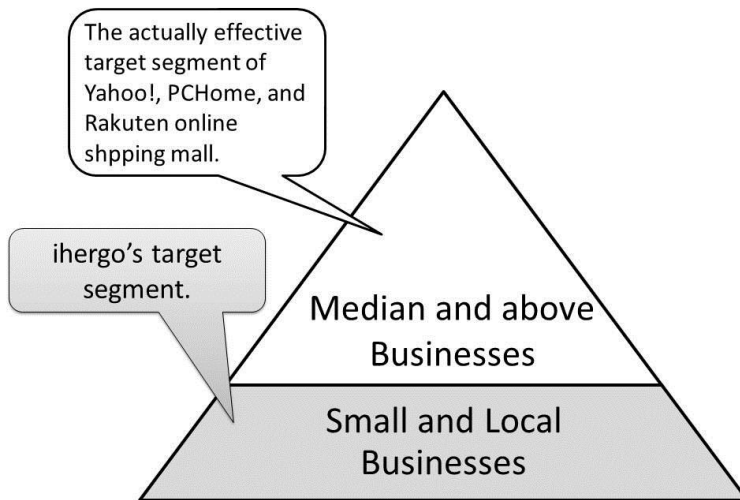


Figure 4-4: Business Scale Pyramid of Stores in Online shopping Mall

Source: Compiled from this research.

ihergo.com provides an effective and efficient group forming platform and lower price products for group buying users, and offers small and local businesses low cost online stores, broadened customer base, and effective and efficient promotion packages. These benefits are strongly supported by superior marketplace offering of ihergo.com which will be further elaborated in next section.

4.2.2 Marketspace Offering

ihergo.com offers three major types of service on its website: group buying platform, Group buying agent service, and B2C online shopping mall. In business model point of view, ihergo.com not only has a two-sided platform composed of group buying platform and B2C online shopping mall, but also plays a mediator role in the value chain between two sides.

Group Buying Agent Service

Before launching Dahergo, a group buying agent service whose idea was firstly introduced by Groupon to work with business partners and proposes a daily deal package for their products or services, ihergo.com basically played as an information hub in the business process by offering pure group buying platform (See Figure 4-5), and the logistic flow and cash flow happened only between businesses and group buying users.

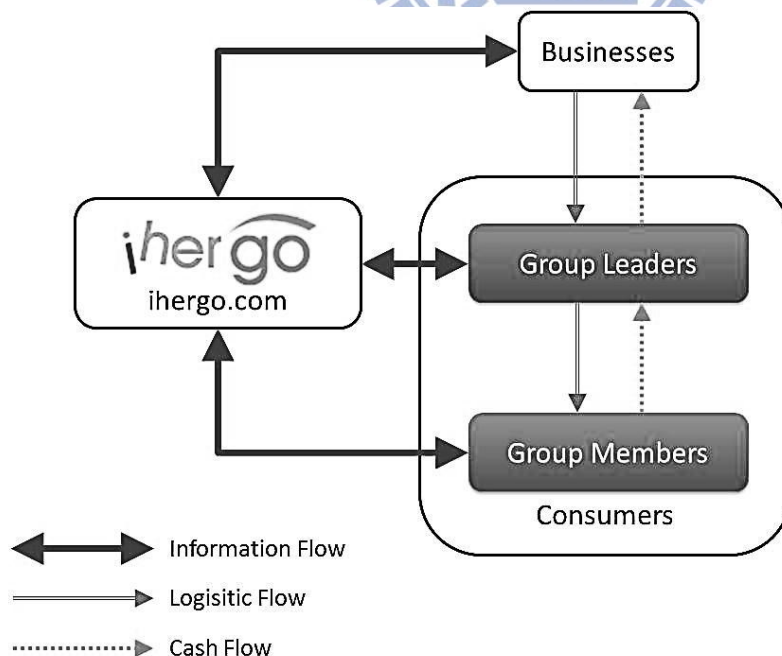


Figure 4-5: Flow Diagram Before Dahergo service

Source: Compiled by this research.

After launching Dahergo service, ihergo.com formally controlled the cash flow and had opportunity to juice profit from the entire business process, which are charging their business commission and a one-time slotting fee for online promotion package. From the business model point of view, Dahergo service increases the incentives of both group buying users and small and local businesses to go to ihergo.com, suggesting the later establishment of two-sided platform.

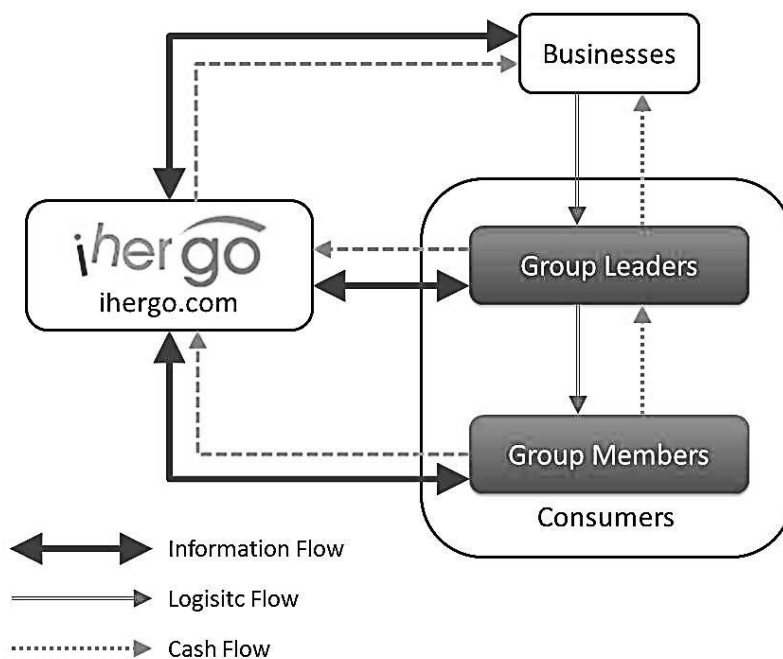


Figure 4-6: Flow Diagram After Dahergo service

Source: Compiled by this research

Another group buying agent service that ihergo introduced is called GoGoGo, which reinforce its hub role of information flow and provides the digital coupon solution for online stores. For intangible products and services such as hair design and SPA, consumers usually go to physical shops to receive the treatments and rarely form up buying group. It is because there is no logistics activity in the business process so consumer's motivation to save the logistics cost through group buying is small. However, for businesses which

provide such services, they are still willing to broaden their revenue and customer base by providing discount with a big demand. GoGoGo service is just to fulfill such demand by bridging service oriented businesses with buying groups. All the online stores on B2C online shopping mall of ihergo.com can hold a GoGoGo activity. Store operators can use online management pages to design the conditions of their digital coupons, and then the system will automatically deliver digital coupons to all the group members once the deal is done.

Group Buying Platform

The most early-established service, group buying platform, was catered for decision process of group buying users and has reinforced due to the introduction of later services. For any Internet user, it is not necessary to be the registered member to use the web functions on ihergo.com, and only needs to do so when he or she want to join the online community of ihergo.com. This policy makes sure all the network traffic flowing into ihergo.com will not be blocked or disturbed by the registration and login process. Furthermore, ihergo.com integrates the account authentication service of Facebook into their own account system, so for Internet users who already have the Facebook account, they can bypass the registration process and immediately enjoy the web functions. The services and web functions that ihergo.com offers to group buying users around six different steps of decision process are illustrated in the egg diagram of Figure 4-5.

From below is the description of services and web functions to each decision step:

- **Need Recognition**

Through active online promotions and notifications, such as holiday special, daily promotions, and special occasions suggestions, ihergo.com can continuously trigger

consumers' need recognition and further use its online community to effectively stimulate group buying activities by leveraging the social network among group buying users. It introduced a club system so all the people who have ever joined the same buying group could keep their relationships, and moreover, easily process the group buying again and again, which dramatically increase the platform stickiness.

- Search for Groups and Offerings

For those products provided by a store on B2C online shopping mall or organized by Dahergo or GoGoGo service, user can either form up/join a buying group or simply make a quick purchase from the same product page. If the product doesn't provided by any store on its online shopping mall, users could still use group buying functions to initiate or join a buying group. In that case, the group leader would specify the product description when he creates the group, and then promote his group by sending out the notification to his friends or clubs members. Another important function is that users could search for on-going buying groups, products, and services in different terms and conditions.

- Evaluate Alternatives

Comprehensive information including price, product picture, specification, and so on, is clearly displayed on the product and group page to ease the comparing process for users. For Dahergo or GoGoGo service, extra information such as product offering time and minimum numbers to trigger the deal will specifically mentioned on the activity page to stimulate impulsive buying.

- Purchase Decision

ihergo.com provides shopping car function which could let users record tentative groups they may want to join and products they may want to purchase. It also designs several assistant functions for payment, collection, and goods distribution so group buying leader and members could have a smooth and efficient coalition process. For users who purchase the product through GoGoGo service, the virtual coupons will be delivered to users through email or cell phone SMS message. Later they can present the virtual coupons when they at the physical stores. It is especially suitable for intangible products such as plastic surgery, SPA, etc.

- Postsales Support and perks

For postsales support, ihergo.com provides prompt notices and historical orders so users won't miss the critical events and could track back the past group buying and purchase records. Users could use the online interactive system to communicate with group members or businesses, and solve the common issues or problem by referring to a comprehensive and detailed online guidance. Specially, a reputation system was created to control the quality of platform activities among group buying users and businesses, filtering those bad intentions.

- Manage Group Relationship

ihergo.com has spent a lot of effort on cultivating its online community. It created a multi-dimension club and forum system for buying groups, stores, and even products so group buying users could maintain the relationships with not only the group members, but also the store operators and those fans of certain product.

It was identified that ihergo.com not only design their services and web functions to fulfill group buying users' need in each step, but also try to encourage them to move on to the next step and keep repeating the same decision cycle. The superior group buying functions keeps drawing more and more users from other online or offline group buying channels, and the online community also makes them tightly stick with the platform. The group buying platform itself is able to create the network effect because its convenient and efficient functions to form up or find a buying group will keep drawing users from the other channels which have poorer functions.



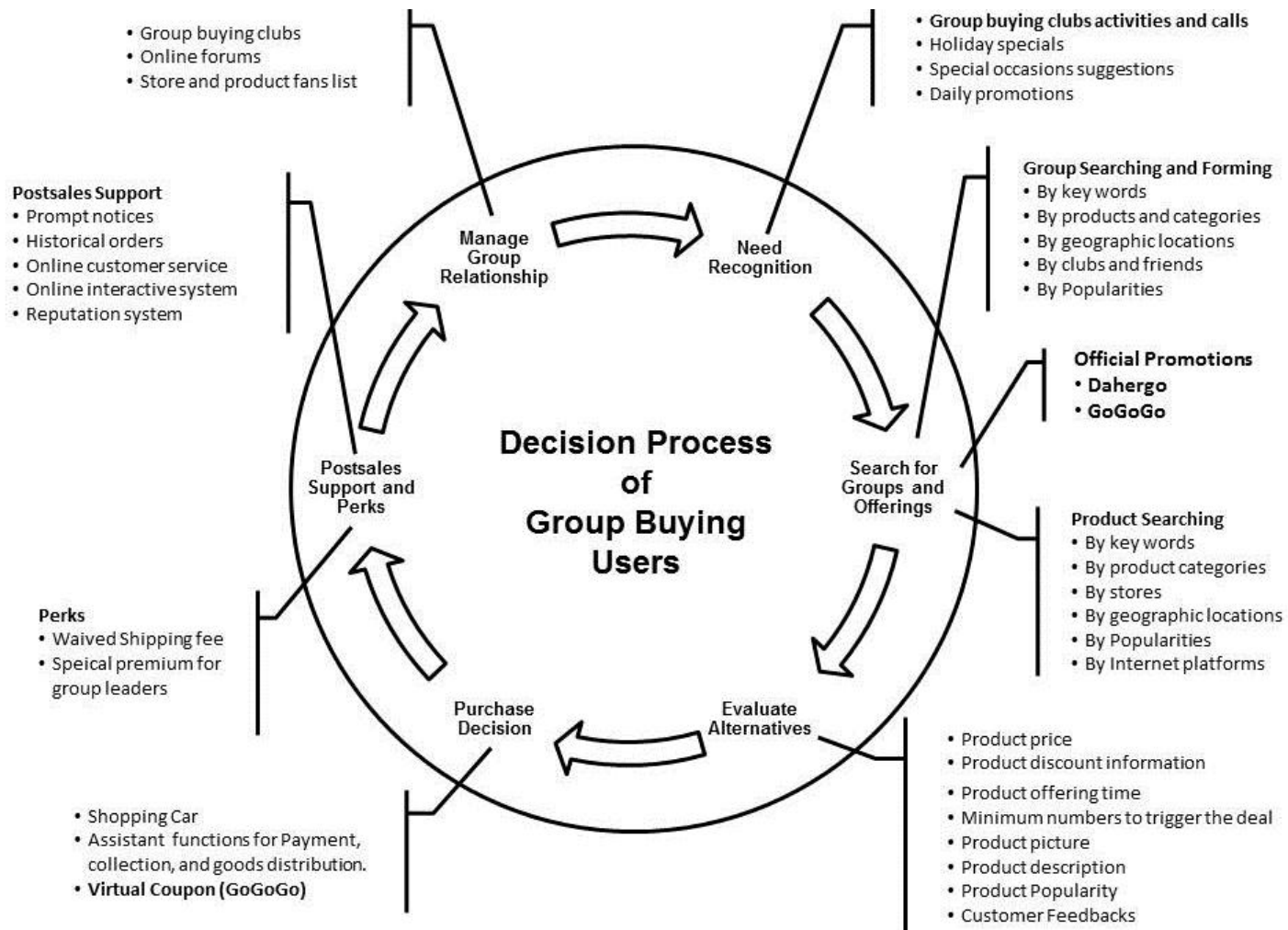


Figure 4-7: Egg Diagram for Decision Process of Group Buying Users

Source: Compiled by this research.

B2C Online Shopping mall

B2C online shopping mall was tailored for small and local businesses that usually don't have much e-commerce experience and are small in capital and business scale. Their decision processes and concerns are different and couldn't be covered by existing online shopping malls, which gave ihergo.com a good opportunity to seize this niche. Figure 4-6 illustrates the services and the web functions that ihergo.com implemented for six steps of decision process of small and local businesses. From below is the description of services and web functions to each decision step:

- Open Store

ihergo.com provides a self-service store open process that all the procedures could be done online by following an instruction step by step. In addition, it is the only online shopping mall in Taiwan offering free opening service.

- Manage Store

The administration system designed for businesses is powerful and could help them manage all the details from basic information to visual identity of their online stores. In order to handle a big quantity of stores, ihergo.com made a very clear and completed online guidance and Q&A pages so a lot of common issues and problems could be firstly solved by online self-service. Therefore the customer service could focus on the rest important and special cases with good quality. Another big premium for store operators is the free slotting fee. No matter how many product items posted on an online store, ihergo.com charges nothing.

- Marketing Store

The advertising packages on B2C online shopping mall are various and flexible so business could assemble a solution based on their own needs. To do advertising, a store operator should purchase advertising points through its management page, and then makes its own advertising solution by selecting and combining six different types of advertising spots according to size, location, category, and target audience. Once advertising configuration was done by a store operator, the system will immediately executes it and constantly records status, exposure frequency, and total clicks number thus store operators can alter the advertising package based on execution result.

- Process Order

Besides those regular functions, such as online orders management, payment, collection, and goods distribution processing, store operators now have ability to spread their virtual coupons around by using GoGoGo service. They can preset a certain quantity of virtual coupons and the system of ihergo.com will automatically delivery to the buyers through email or cell phone SMS message once the deal is closed. Store operators also can check and monitor the usage status of their spreaded-out virtual coupons through a management page.

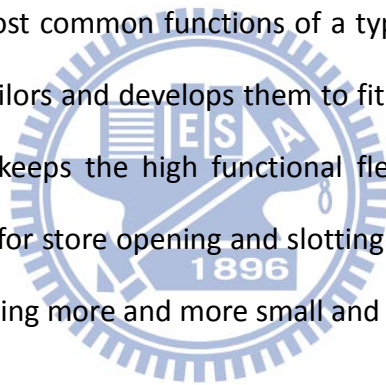
- Postsales Support

For postsales support, ihergo.com provides prompt notices and historical orders so store operators won't miss the critical events and could track back the past deals records. The online interactive system and reputation system are also the important functions for them to have an efficient communication channels with buyers and filter out bad intentions from the deals they received.

- Manage Customer Relationship

The multi-dimension club and forum system for buying groups, stores, and even products is the adhesive to stick group buying users with online stores, bringing the momentum to decision cycling. The open policy allowing store operators to integrate their existing Facebook pages into online community saves a lot of time and effort for them, and also injects more energy into website. In addition, ihergo.com provides all the online stores their own forum sections, giving them an extra channel to spread products news and all kinds of announcements, and interact with existing or potential customers.

ihergo.com has the most common functions of a typical B2C online shopping mall, but the management further tailors and develops them to fit the demand and the need of small and local businesses, and keeps the high functional flexibility for different requirements. Meanwhile, the free policy for store opening and slotting fee plays a key part in their market segmenting strategy, attracting more and more small and local businesses to join ihergo.com.



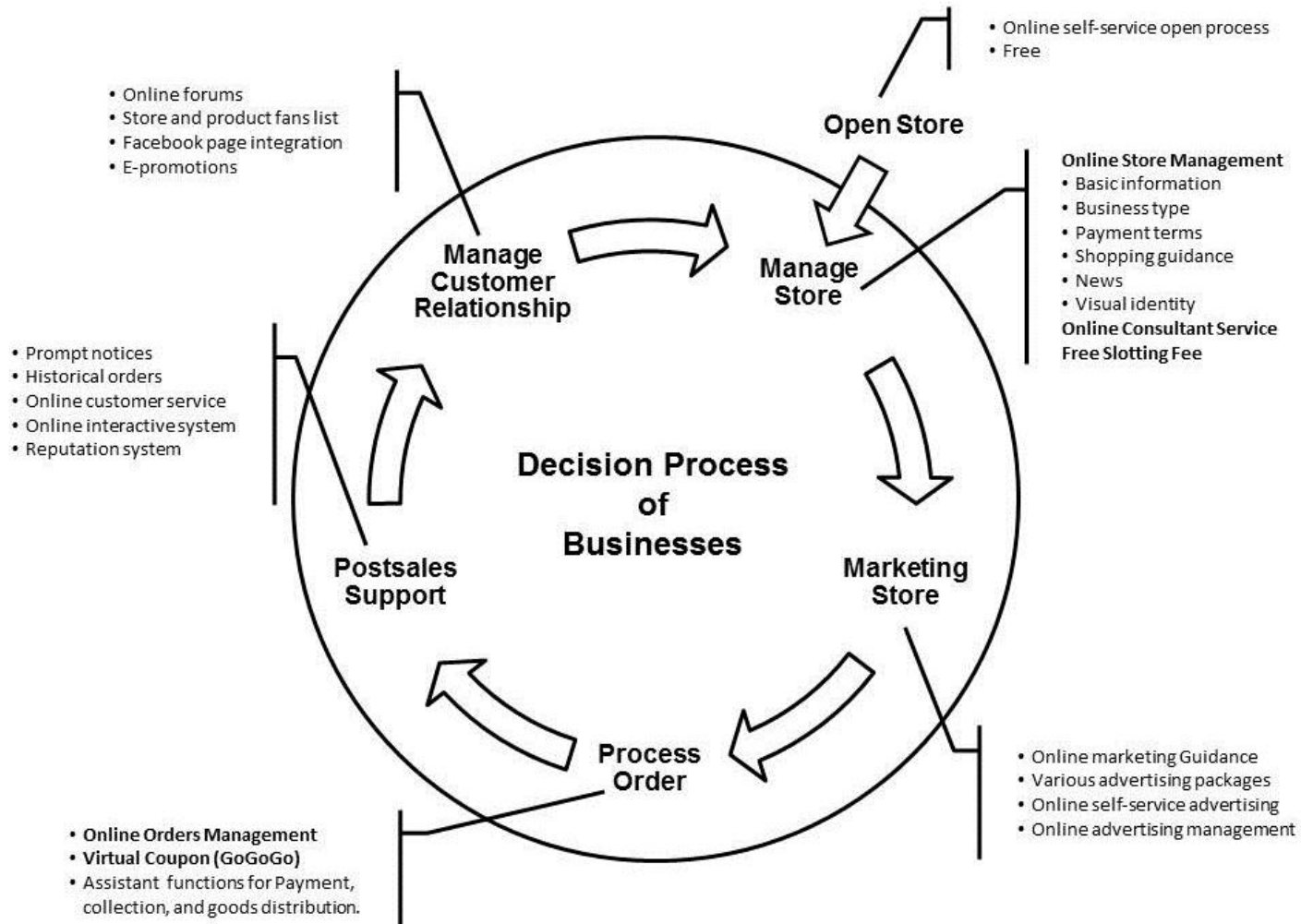


Figure 4-8: Egg Diagram for Decision Process of Businesses

Source: Compiled by this research.

4.2.3 Resource System

The resource system, dictated by value cluster and marketplace offering is crucial because it relates to how does a company organize and design its activities and allocate its assets, creating superior competitiveness than its competitors. Figure 4-9 illustrates the interpretation of this research to ihergo's resource system, centered from five benefits that relate directly to the value cluster. Because of the characteristic of two-sided platform, benefits to the two target segments, group buying users and small and local businesses, support each other and make up a firm core.

From the upper left corner, superior group forming functions contribute to the efficiency and the effectiveness of group forming platform, and indirectly grows the user base. Hence, ihergo.com could leverage its big user base to offer high exposure to its business partners, providing them effective and efficient promotion packages through Dahergo and GoGoGo service. From the upper half of resource system, social network integration and influential online community are identified to be the common capabilities to its three benefits: effective and efficient group forming platform, promotion package, and broaden customer base. They also link up three benefits and create a powerful positive cycle.

From the lower half of resource system, lower price products, one of the benefits to group buying users, is contributed from two capabilities: partnerships with businesses and online shopping mall tailored for group buying. They are respectively supported by Dahergo and GoGoGo service, and the right market segmenting activity. To its right side, lower cost online store, one of the benefits to small and local businesses, is contributed from the free pricing policy to store opening and product slotting. Benefits of lower price products and lower cost online store actually are the two sides of a mirror, reinforcing one of them will immediately improve the other.

The resource system of ihergo.com has strong strength and is actually less resource intensive. Because the core benefits on two-sided platform plus an agent service naturally support each other, ihergo.com could use small resource and little activities to achieve the maximum effort. Furthermore, the overall synergy to create a strong network effect is also implied according to the structure of resource system.



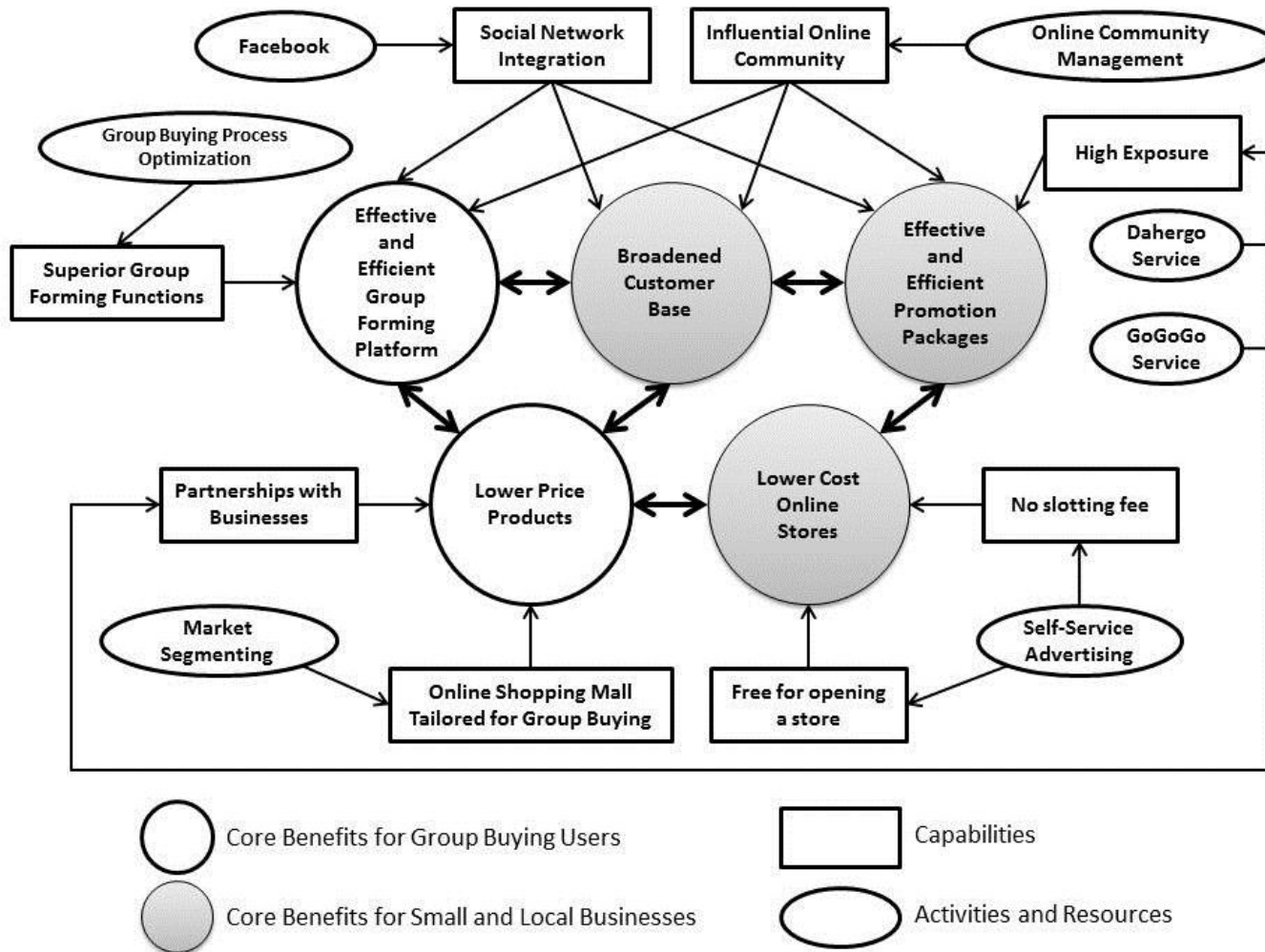


Figure 4-9: Resource System of ihergo.com

Source: compiled by this research.

4.2.4 Financial Model

Like the most typical e-commerce companies, ihergo.com has small capital, human resource, and less operation cost. Before January 2008 when ihergo.com was in embryonic stage and hadn't introduced Dahergo service, there is no revenue but only outflow cash. However, to operate and maintain a website is comparatively inexpensive due to the advanced and matured technology and well-established network infrastructure. The management of ihergo.com started to construct its revenue model in 2008 when they had a strong user base and confident of adopting Groupon's business model.

Table 4-2: Revenue Model of ihergo.com

Service	Target Segment	Revenue Type	Form	% of Total Revenue
Dahergo	Small and local Businesses	commission	15% of total sales revenue	40%
		Slotting Fee	Fixed price	
B2C Online Shopping Mall		Advertisement	Top-up points	60%

Source: Compiled by this research.

ihergo.com now generates revenue from two sources as summarized in Table 4-2. The first revenue source comes from Dahergo service, a localized version of Groupon's business model. It charges business partners, which are mainly composed of small and local businesses, a fixed price as slotting fee and 15% of total sales revenue as commission. The second revenue source comes from online stores of B2C online shopping mall by providing various advertising packages. Store operators should top up a certain amount of points in

advance, and then they can exchange the advertising packages through the self-service management page. Up to January 2011, 40% of total revenue is generated from Dahergo service, and the rest of portion is generated from advertisement on B2C online shopping mall.

It is shown that ihergo.com subsidizes one user group, the group buying users, while charging the other, mall and local businesses, a premium for access to the subsidized group. Because group buying users are much more price sensitive than small and local businesses, ihergo.com offers free service to them and only charges businesses, which is a very critical decision to determine successful two-sided platform. It also implies the sequence that ihergo.com operated to develop two-sided platform is another important factor to accelerate the growing of two-sided platform. If the management of ihergo.com decided to introduce the B2C online shopping mall earlier than the group buying platform, then the network effect would be much smaller than it has today.



4.3 Key Success Factors

The current success of ihergo.com is backed up by several key indexes. As mentioned in Company Status section in Chapter 3, ihergo.com generates 1.1 billion (NTD) of cash flow on its platform, and reaches 20 million (NTD) annual profits in 2010. The rapid growth is not only revealed on its financial performance, but also shown on the number of registered members and online stores. It had around 70 thousand registered members in 2008. Up to January 2011, the number of registered members has surged to 300 thousand. The same booming also happened on the other side of two-sided platform. Over 30 thousand stores now open on ihergo.com, making it the no.1 B2C online shopping mall in terms of store number in Taiwan e-commerce (See figure 4-10).

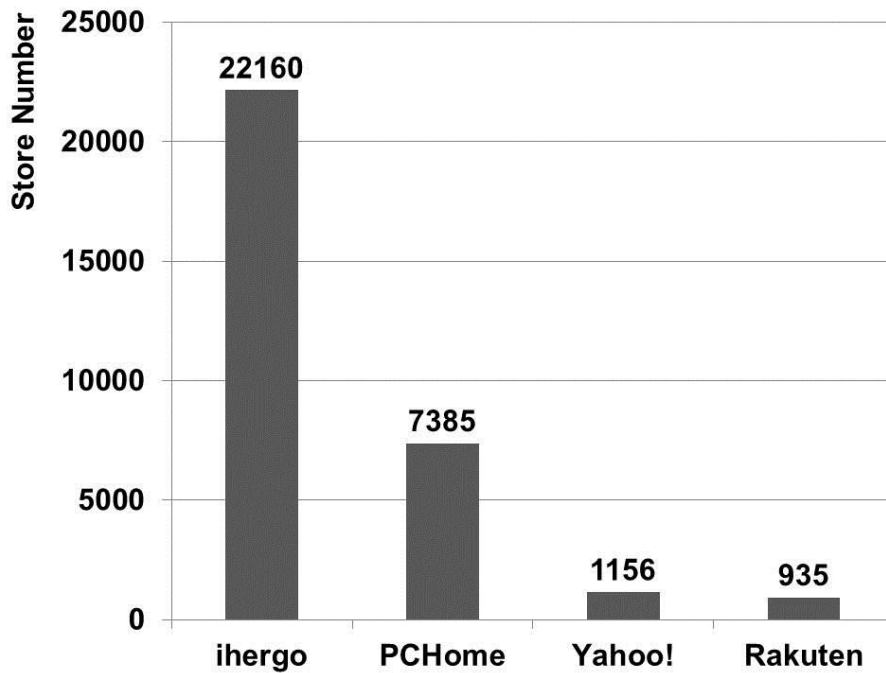


Figure 4-10: The Store Number of Major B2C Online Shopping Malls in Taiwan

Source: ihergo.com, October, 2010.

After reviewing the evolution process of ihergo.com and analyzing its business model, four key factors are recognized for its prosperous development and current success:

1. First-mover Advantages

As an initial significant occupant of group buying e-commerce, ihergo.com gained first-mover advantages from three sources: technology leadership, preemption of assets, and switching costs, establishing a strong and a solid foundation in a very short time.

(1) Technology Leadership

It entered the market at the right time when group buying trend just emerged online, and dedicated all its strength to develop a powerful and convenient website for group buying users. The web functions of ihergo.com have been tuned to nearly perfect and are kept improving. For any late comer, to catch up the progress of ihergo.com is going to be a tough job.

(2) Preemption of Assets

For an e-commerce company like ihergo.com that provides platform solution, it is vital to grow a big customer base at the initial period so the revenue model can be built on that foundation. So the customers, which are group buying users and small and local businesses in this case, are the critical assets and were firstly seized by ihergo.com already, which means there is limited amount of market share available for subsequent entrants.

(3) Switching Costs

For group buying users and businesses, the additional cost of finding a superior platform to form up buying groups or to reach the customers is higher than the benefit they may receive, since the most group buying users and stores on are on ihergo.com. For late entrants, an extra investment to draw customers away from the first-mover firm is going to be unavoidable and extremely costly.

2. The influential online community

ihergo.com has built up a online community that effectively increases the revisiting rate and platform stickiness through its multi-dimension clubs system and forum. It has also become the supplemental communication channel among group buying users, online stores, and ihergo.com itself, tremendously reducing the effort and the resource on customer service activities. Furthermore, the integration with Facebook that leverages the existing social network of group buying users and businesses energizes the momentum of online community. To some extent, the online community of ihergo.com contributes a portion of network effect, simulating the decision process of group buying users and businesses to have positive cycles.

3. The right market segmenting to B2C online shopping mall

Without the clear market segmenting, the B2C online shopping mall of ihergo.com would have to directly compete with the other three strong market players, and it is predictable that ihergo.com won't have much advantage to win the battle. The identification of the niche, the online shopping mall for small and local businesses, discovered through Dahergo service, not only let ihergo.com avoid the direct competition with those existing players, but also help it to establish a completed two-sided platform, creating a new market segment. The pricing policy that offering free on store opening and slotting, and only charging advertising fee, creates the very first rules and principles for new market segment, and distinguishes ihergo.com from the other online shopping malls. The result is the successful B2C online shopping mall which has the most open stores in Taiwan e-commerce market.

4. The successful development of two-sided platform

By aggregating the common interests from group buying users and small and local businesses on two-sided platform, ihergo creates a strong synergy and competitiveness, and empowers its network effect to a maximum level. Along the development track of ihergo.com, it is recognized that the introducing of the group buying agent service, Dagergo, and the B2C online shopping mall all have positive contribution to the existing business framework, and multiple the total network effect, showing the way and the order that ihergo.com built up the business model is appropriate. Otherwise, it is probably hard to have the same performance that ihergo.com has today. In the end, the two sided platform plus group buying agent service catalyze a virtuous cycle: more demand from one user group spurs more from the other.

Chapter 5 Conclusions

From a pure-play group forming platform to a group buying solution provider that offers three different values to the customers, the management of ihergo.com watch the market changes carefully and keep transforming company's business model to broaden its opportunity and align with market trend. The most valuable finding of this case study is not just the mechanism to create better operation performance, but also a new and special form of its business model. The result derived from the analysis of this case study suggests that a solid and strong internal value complementary framework was created by ihergo.com, making mutual reinforcement and multiplier effects on its value cluster and resource system (See Figure 5-1).

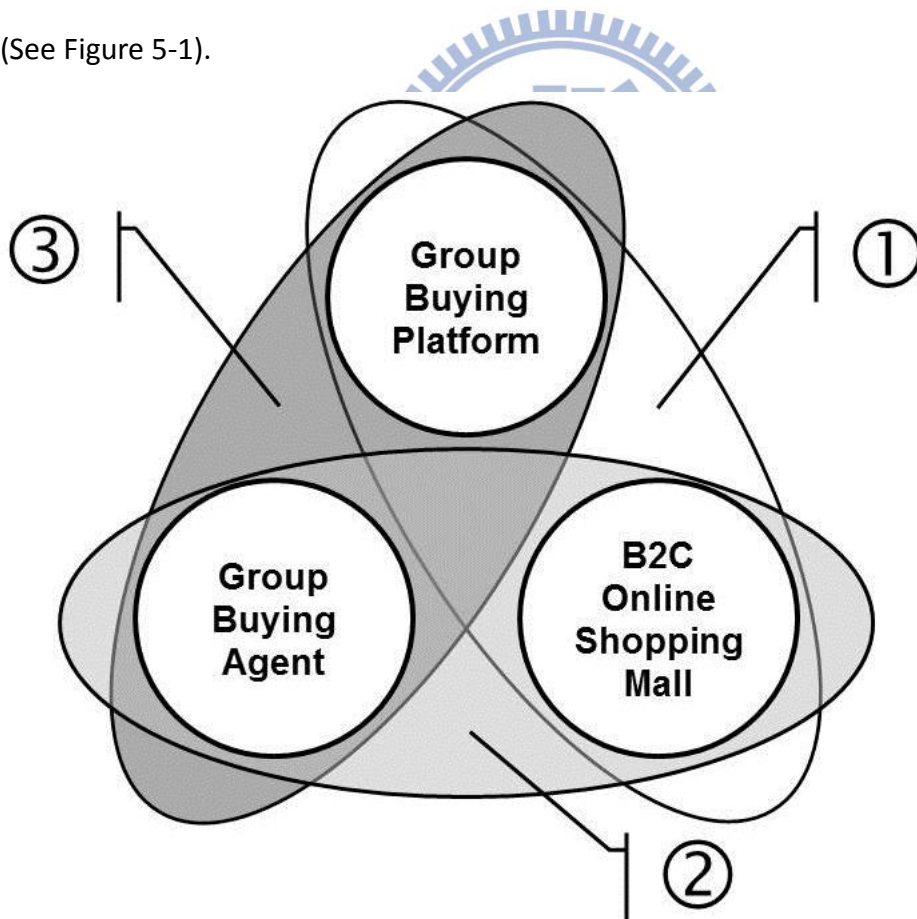


Figure 5-1: Value Complementary Framework of ihergo.com

Source: Compile by this research.

The framework is composed by triple reinforcement and interaction relationships among three services. The first is the network effect caused by the two-sided platform between group buying users and online stores. The second reinforcement relationship is contributed by two mutual benefits between group buying agent service and B2C online shopping mall. For group buying agent service, the data mining on B2C online shopping mall will reduce the effort of seeking potential business partners. On the other hand, the B2C online shopping mall facilitates ihergo.com to preserve the temporary business cooperation of agent service into a long-term pool. The final reinforcement relationship happened between group buying platform and group buying agent service is also caused by two mutual benefits. For group buying platform, the activities of group buying agent service stimulates the decision process of group buying users, driving a sustainable cycle. And for group buying agent service, the influential online community on group buying platform effectively increases the power of promotion effort, making ihergo.com stand out from those Groupon-like services in Taiwan.

The analysis result from the resource system of ihergo.com confirms the vantage brought by this value complementary framework, which is that ihergo.com can maximize the values of its marketplace offering without resource-intensive business activities. As for the market competition, a new entrant will face a strong difficulty to provide the same value system and imitate a series of connected activities of ihergo.com. On the other hand, group buying users will face high switching cost if they adopt a new platform and so dose those online stores, making a bigger obstacle to new entrants. These difficulties will be applied on three existing B2C online shopping malls as well. Because of the lower expected profit and extra investment, they have less motivation to enter group buying market and would only focus on their current core business.

5.1 Academic Implication

In academic aspect, the business model of ihergo.com suggests a new and special form of two-sided platform. It is a practical two-sided platform which has inter-subsidy sides without charging one side a premium. In general, a group of customers who, when attracted in volume, is highly valued by the other group and subsidized on two-sided platform. However, ihergo.com offers free registration to group buying users and free open and slotting fee to online stores, indicating that actually both sides on the platform are subsidized and no specific customer group was categorized as money side to pay more than it would. It implies that a business has capability to create a two-sided platform with true balance and is not necessary to charge more than it would on one side as long as it could build up a suitable business model like the one of ihergo.com which is seldom seen in e-commerce field.

In addition, an instructive business model which could inter-transform supplier relationship and customer relationship on the same business platform was also discovered. As shown in Figure 4-2, ihergo.com has ability to transform its short-term business partners of group buying agent service into long-term customers of B2C online shopping mall, and also can reversely pinpoint potential products for its group buying agent service through data mining on its B2C online shopping mall. This two-ways channel has rarely been seen in common business models and is not often discussed in academic researches. Based on the discovery, a further research on such topic is recommended to figure out whether similar structure was implemented in any other businesses models, and what are their overall benefit and impact to the businesses and organizations. This instructive business model would potentially become a pattern for future reference.

5.2 Managerial Implication

Comparing to other group buying websites in Taiwan which mostly adopts pure group buying agent business, ihergo.com demonstrates a more sustainable and superior online group buying business model which not only provides group buying agent service, but also introduces a group buying platform and a B2C online shopping mall. And because of the value complementary framework of its business model, ihergo.com is able to accumulate two huge customer bases, create strong network effect on two-sided platform, and reinforce its three core services with less resources and business activities. Its business model also triggers repeating cycles in both decision processes of group buying users and online stores, accelerating overall cash flow on its web platform. In terms of online group buying, ihergo.com has walked through its own way and established a strong competitiveness which makes its current rivals and potential entrants hardly catch up its progress.

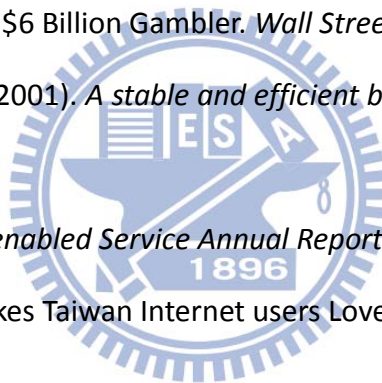
Furthermore, the unique business model of ihergo.com which is different from common practices has potential to be implemented not only in e-commerce but also in other business fields. Its unique version of two-sided platform and inter-transformable capability between business partners and customers would either inspire innovation of existing businesses or motivate entrepreneurship in new applications. And the development process of the business model, such as the sequence to build up two-sided platform and to construct value complementary framework, is also valuable for reference and has shown how management of ihergo.com tackled the vital issues from external market to internal operation.

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Appendix A The Interview with Co-founder Leo Liu

The interview with co-founder, Leo Liu, was scheduled on January 12th 2011 at the office of ihergo.com. The purpose is to understand the development of ihergo.com from management and strategic aspects, to get official information and data regarding web platform and finance, and to form up relationship with insider to ease the follow-up communication. Thankfully, the responses from ihergo.com since the first contact were positive and friendly, and some inside views and thoughts were shared without hesitation, making the coming analysis smooth and supplied.

The interview lasted about one hour and eight questions were asked and recorded as following content.

Question 1: What motivated you to found ihergo.com?

Leo Liu: In the early 2007, my partner and I just admitted the failure of our first Internet business, so we started to look for a new subject that is more sustainable and easy to cut in. We aimed to create a platform service because it could be built on our existing web structure and resource, and then we thought about the group buying phenomenon on PPT. At that time, actually online group buying is not a new concept and many people did group buying through many Internet channels, such as Internet forum, blogs, online chat room, and BBS. We identified that the group buying board on PPT, the biggest BBS in Taiwan, has tremendous user base and momentum. But we also noticed that the most participants in that discussion board were students, which means the channel only served a small portion of people and didn't fulfill the entire group buying demand. Therefore, we thought a web-based group buying platform targeting on all Internet users has its own market value and decided to introduce ihergo.com.

Question 2: The current services of ihergo.com are not just a pure group buying platform.

How did you and the management of ihergo.com direct the development of ihergo.com to current level?

Leo Liu: Each important step in development process of ihergo.com targeted on either growing the user base or broadening the revenue stream. At the end of 2007, around half year after we launched ihergo.com, the growing speed of registered members reached the bottleneck, and we were still looking for the revenue source at the time. Consequently, the emerging of Groupon in USA inspired us to establish our first profitable service: Dahergo (大合購). The new service stimulated further growing to our user base and helped us notice an important market segment, small and local businesses, in Taiwan. At the beginning, we let group buying users to create product pages to better communicate the product information to other group buying users during group forming process. Unexpectedly, the businesses that received the orders from buying groups formed up on our platform would like to maintain those product pages by themselves because they can directly communicate to those potential customers (group buying users). Eventually, we decided to take on the trend and introduced our own online shopping mall.

Question 3: What are the target customers of ihergo.com?

Leo Liu: Our target customers, of course, are those people who want to do online group buying and small and local businesses that want to receive bigger orders to higher their revenue. We also identified that women, especially office ladies, took the major portion of our registered members and were actively involved in group buying activities. We not only tailored our web functions and web pages layout in favor of women, but also chose the products favored by women for our Dahergo service. Our marketing language was also customized for women, and, as you know, we even put “her” into our English title and URL address, indicating the importance.

Question 4: As a comprehensive group buying platform, how much momentum does ihergo.com generate? And how do you measure the momentum?

Leo Liu: We basically monitored two indexes: the total platform cash flow and the number of buying groups. In 2009, the total cash flow on ihergo.com was 637 million NTD and it grew to 1.1 billion NTD just one year later. As for the number of buying groups, ihergo.com has around 6000 active buying groups per day. Both indexes show that ihergo.com has tremendous energy in terms of online group buying and keeps growing.

Question 5: What are the revenue sources of ihergo.com? And what is the profit?

Leo Liu: We have two revenue sources right now. One is the commission income of Dahergo service, the other is the advertisement fee gathered from online stores. The commission income contributes around 40% of our total revenue, and advertisement fee fills the rest. We are working on an online transaction mechanism right now and hopefully could establish more revenue sources in near future. The profit grows steadily from rough 200 thousand NTD per month before year 2009 to more than 2 million NTD per month since 2010. It is a great achievement for us considering the company size and scale.

Question 6: How many employees that ihergo.com has and how did you manage the development of human resource?

Leo Liu: ihergo.com is a typical Internet company with small scale and less resource. In fact, the company only had two employees, the other co-founder and I, for the first two years. We both have software engineering background and actually finished the most source codes and function development until the launch of online shopping mall in 2009. After that, we realized the need for more human resource and started to recruit talents in visual design and marketing fields. Currently, we have 18 employees and 3 departments, which are engineering, visual design, and marketing and communication. The total labor cost is

around 15% of our net income, so I think the profitability of ihergo.com is still quite high and makes us stand out from the other rivals in Taiwan.

Question 7: Since Internet users could purchase the goods from online stores directly, is there any conflict between group buying platform and B2C online shopping mall on ihergo.com?

Leo Liu: No, there is no conflict between these two services. Based on our data, in fact, the orders from a single person even have bigger quantity than those orders from a buying group, which means they are still group buying but just triggered by group leaders who have formed up buying groups through other ways. Those group leaders probably formed up groups at office, school, or even other channels either online or offline, and then made the orders on ihergo.com. In this way, these two services are actually complementary to each other and we found no evidence showing that they eroded or damaged each other.

Question 8: How does ihergo.com compete with the other e-commerce giants, such as Yahoo! Taiwan and PChome?

Leo Liu: From my observation, it seems that those e-commerce giants don't consider online group buying an attractive business model because the potential revenue is much lower than their current core businesses. I think our greatest advantage is our open structure and spirit. Comparing to other online shopping malls or group buying platforms, ihergo.com doesn't put any limitation on outbound network traffic. For example, if buying groups on ihergo.com would like to purchase products on Yahoo! platform, we welcome them to post external content and URL addresses on the web pages and even willing to redirect the connection. On the other hand, we also don't mind that whether our online stores open any mirror site on any other platforms.

Appendix B Snapshots of ihergo.com

Four snapshots were attached in this section to better convey the web functions of ihergo.com. Figure A-1 is a snapshot of index page. It demonstrates overall layout and menus, showing how advertisements are being displayed and what functions could be used to search for buying groups.

The screenshot shows the ihergo.com website interface. Four callout boxes are overlaid on the page:

- Search input field:** A box highlights the search bar at the top of the page.
- Buying groups categorized by geographic areas:** A box highlights the '找團購' (Find Group Buy) menu on the left sidebar, which lists various regions like 台北, 台中, 台南, etc.
- Buying groups categorized by product types:** A box highlights the '找團購' (Find Group Buy) menu on the left sidebar, which lists various product categories like 美食, 保養, 服飾, etc.
- The latest buying groups:** A box highlights the 'Join Now! 最新團購' (Join Now! Latest Group Buys) section at the bottom, which lists recent group buy offers from various brands like Costco, Flora Choco, and others.

Figure A-1: Index Page of ihergo.com

Source: <http://ihergo.com>, April 2011

Figure A-2 demonstrates a web page of Dahergo service. Internet users can join Dahergo service by clicking “Order” button or search for other buying groups by clicking “Find Groups” button on the same page.

The screenshot shows the Dahergo service interface on the ihergo.com website. At the top, there are navigation links for '商店街' (Stores), '找團購' (Find Groups), '衝店團' (GoGoGo), and '報好康' (Talk). Below this is a search bar and a '大合購' (Big Deal) button. The main banner features a large image of a layer cake with the text '超人氣千層蛋糕~風靡全台灣!' and 'NO.1 LAYER CAKE TOUCH YOUR HEART'. A price tag indicates '89折起'. Below the banner, there are two main buttons: '立即訂購 +' (Order) and '找團購 +' (Find Groups). The 'Find Groups' button is highlighted with a red box and a label. The page also displays various product listings and promotional text, including a '滿意度' (Satisfaction) section with a 3.7 rating and a '統計單' (Statistics) section.

“Order” button

“Find Groups” button

Figure A-2: Dahergo Service of ihergo.com

Source: <http://ihergo.com>, April 2011

Figure A-3 demonstrates a web page of GoGoGo service. It shows that the most products promoted by GoGoGo service are either service oriented or intangible.

The image displays three promotional banners for the GoGoGo service, each with a yellow header and a white main area. The banners are arranged vertically. Each banner includes a discount percentage in a colored starburst, a title, a description, a product image, a price tag, a countdown timer, and a 'Buy Now' button.

Banner 1 (Top):

- Header: 衝店團 人氣推薦 go!! Recommend Goods SALE!
- Discount: 11折
- Title: 台南 [衝店團] ★緊緻小臉課程★瘋狂驚喜價199元。魔之手塑形儀 還妳緊緻小美顏!
- Image: 伊媚爾SPA會館 (E-mel SPA) featuring a woman's face.
- Price: 團購價 \$199 (原價 \$1800)
- Countdown: 22:10:50
- Buttons: 馬上買
- Additional Info: 伊媚爾SPA會館, 已搶購 9 份

Banner 2 (Middle):

- Header: 衝店團 人氣推薦 go!! Recommend Goods SALE!
- Discount: 54折
- Title: 台中 [衝店團] ipad2等你來拿(到雲爐消費,有機會拿ipad2),頂級嫩肩牛小排鍋物套餐只要\$269
- Image: 台中雲爐鍋物 featuring a hot pot meal.
- Price: 團購價 \$269 (原價 \$490)
- Countdown: 155:59:41
- Buttons: 馬上買
- Additional Info: 台中雲爐鍋物

Banner 3 (Bottom):

- Header: 衝店團 人氣推薦 go!! Recommend Goods SALE!
- Discount: 74折
- Title: 台中 [衝店團] 晶妍輕盈排水護理,抗水腫、全身去角質~體驗價只要899
- Image: 沐蓉美容坊 featuring a woman and skincare products.
- Price: 團購價 \$899 (原價 \$1200)
- Countdown: 12:58:04
- Buttons: 馬上買
- Additional Info: 沐蓉美容坊

Figure A-3: GoGoGo Service of ihergo.com

Source: <http://ihergo.com>, May 2011

Figure A-4 demonstrates the online community of ihergo.com. The community is composed of clubs, online forums, and bulletin boards of online stores.

Figure A-4: Online Community of ihergo.com

Source: <http://ihergo.com>, May 2011

